



US\$1,500,000,000

Republic of the Philippines

9.50% Global Bonds due 2030

Luxembourg Stock Exchange Listing Particulars

The Republic will pay interest on the global bonds each February 2 and August 2. The first interest payment on the global bonds will be made on August 2, 2005. The Republic may not redeem the global bonds prior to their maturity. The global bonds will mature at par on February 2, 2030.

The global bonds will be designated Collective Action Securities, and, as such, will contain provisions regarding certain aspects of default, acceleration, voting on amendments, modifications, changes, waivers and future issues of global bonds that differ from those applicable to most of the Republic's outstanding External Public Indebtedness. Under these provisions, which are described in the section entitled "Collective Action Securities" on page 96 of the attached prospectus dated April 15, 2004, the Republic may, among other things, amend the payment provisions of the global bonds and certain other material terms with the consent of the holders of not less than 75% of the aggregate principal amount of the outstanding global bonds.

The offering of the global bonds is conditional on the receipt of certain approvals of the Monetary Board of the Bangko Sentral ng Pilipinas, the central bank of the Republic.

The global bonds are being offered globally for sale in the jurisdictions where it is lawful to make such offers and sales. We have applied to list the global bonds on the Luxembourg Stock Exchange. We cannot guarantee that the application to the Luxembourg Stock Exchange will be approved, and settlement of the global bonds is not conditional on obtaining the listing.

We expect to deliver the global bonds to investors in registered book-entry form only through the facilities of The Depository Trust Company, Clearstream Banking, *société anonyme*, and Euroclear Bank, S.A./N.V., as operator of the Euroclear System, on or about February 2, 2005.

	<u>Per Bond</u>	<u>Total</u>
Price to investors	98.131%	US\$1,471,965,000
Underwriting discounts and commissions	0.050%	US\$ 750,000
Proceeds, before expenses, to the Republic	98.081%	US\$1,471,215,000

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Joint Lead Managers and Joint Bookrunners

Citigroup Deutsche Bank Securities UBS Investment Bank

The date of this prospectus supplement is January 26, 2005

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You should read this prospectus supplement along with the attached prospectus that accompanies it. You should rely only on the information contained or incorporated by reference in this document and the accompanying prospectus. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this prospectus supplement and the accompanying prospectus may only be accurate as of the date of this prospectus supplement or the accompanying prospectus, as applicable. Terms used herein but not otherwise defined shall have the meaning given to them in the prospectus that accompanies this prospectus supplement.

INTRODUCTORY STATEMENTS

The Republic accepts responsibility for the information that is contained in this prospectus supplement and the prospectus that accompanies it. To the best of the knowledge and belief of the Republic (which has taken all reasonable care to ensure that such is the case), the information contained in this prospectus supplement and the accompanying prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Republic is a foreign sovereign state. Consequently, it may be difficult for you to obtain or realize upon judgments of courts in the United States against the Republic. See “Description of the Securities — Description of the Debt Securities — Jurisdiction and Enforceability” in the accompanying prospectus.

The distribution of this prospectus supplement and the accompanying prospectus and the offering of the global bonds may be legally restricted in some countries. If you wish to distribute this prospectus supplement or the accompanying prospectus, you should observe any applicable restrictions. This prospectus supplement and the accompanying prospectus should not be considered an offer, and it is prohibited to use them to make an offer, in any state or country in which the making of the offering of the bonds is prohibited. For a description of some restrictions on the offering and sale of the global bonds and the distribution of this prospectus supplement and the accompanying prospectus, see “Underwriting” on page S-29.

Unless otherwise indicated, all references in this prospectus supplement to “Philippine pesos”, “pesos” or “₱” are to the lawful national currency of the Philippines, and those to “dollars”, “US dollars” or “\$” are to the lawful currency of the United States of America.

All references in this prospectus supplement to (a) the “Republic” or the “Philippines” are to the Republic of the Philippines, (b) the “Government” are to the national government of the Philippines, (c) the “administration” are to the current administration of President Gloria Macapagal-Arroyo and (d) “Bangko Sentral” are to Bangko Sentral ng Pilipinas, the central bank of the Philippines.

SUMMARY OF THE OFFERING

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. You should read the entire prospectus supplement and the accompanying prospectus carefully.

Issuer	Republic of the Philippines.
Bonds	US\$1,500,000,000 9.50% global bonds due 2030.
Interest	The global bonds will bear interest at 9.50% from February 2, 2005, payable semi-annually in arrears.
Interest Payment Dates	February 2 and August 2 of each year, commencing August 2, 2005, payable to the persons who are registered holders thereof at the close of business on the preceding January 18 or July 18, as applicable, whether or not a business day.
Maturity Date	February 2, 2030.
Issuer Redemption	The Republic may not redeem the global bonds prior to maturity.
Status of Bonds	The global bonds will be direct, unconditional, unsecured and general obligations of the Republic. Except as otherwise described, the global bonds will at all times rank at least equally among themselves and with all other unsecured and unsubordinated External Indebtedness (as defined in the accompanying prospectus) of the Republic. The full faith and credit of the Republic will be pledged for the due and punctual payment of all principal and interest on the global bonds. See “Description of the Securities — Description of Debt Securities — Status of Bonds” in the accompanying prospectus.
Negative Pledge	With certain exceptions, the Republic has agreed that it will not create or permit to subsist any Lien (as defined in the accompanying prospectus) on its revenues or assets to secure External Public Indebtedness (as defined in the accompanying prospectus) of the Republic, unless at the same time or prior thereto, the global bonds are secured at least equally and ratably with such External Public Indebtedness. The international reserves of Bangko Sentral ng Pilipinas (“Bangko Sentral”) represent substantially all of the official gross international reserves of the Republic. Because Bangko Sentral is an independent entity, the Republic and Bangko Sentral believe that the international reserves owned by Bangko Sentral are not subject to the negative pledge covenant in the global bonds and that Bangko Sentral could in the future incur External Public Indebtedness secured by such reserves without securing amounts payable under the global bonds. See “Description of the Securities — Description of Debt Securities — Negative Pledge Covenant” in the accompanying prospectus.
Taxation	The Republic will make all payments of principal and interest in respect of the global bonds free and clear of, and without withholding or deducting, any present or future taxes of any nature imposed by or within the Republic, unless required by law. In that event, the Republic will pay additional amounts so that the holders of the global bonds receive the amounts that would have been received by them had no withholding or deduction been required. See

“Description of the Securities — Description of Debt Securities — Additional Amounts” in the accompanying prospectus. For a description of certain United States tax aspects of the global bonds, see “Taxation — United States Tax Considerations” in the accompanying prospectus, and “Taxation — United States Taxation”.

Collective Action Clauses The global bonds will contain provisions regarding default, acceleration, voting on amendments, modifications, changes, waivers and future issues of global bonds that differ from those applicable to most of the Republic’s outstanding External Public Indebtedness. Under these provisions, which are described in the section entitled “Collective Action Securities” on page 96 of the attached prospectus dated April 15, 2004, the Republic may, among other things, amend the payment provisions of the global bonds and certain other terms with the consent of the holders of not less than 75% of the aggregate principal amount of the outstanding global bonds.

Cross-Defaults Events of default with respect to the global bonds include (i) if the Republic fails to make a payment of principal, premium, prepayment charge or interest when due on any External Public Indebtedness with a principal amount equal to or greater than \$25,000,000 or its equivalent, and this failure continues beyond the applicable grace period; or (ii) if any External Public Indebtedness of the Republic or the central monetary authority in principal amount equal to or greater than \$25,000,000 is accelerated, other than by optional or mandatory prepayment or redemption. See “Collective Action Securities — Events of Default: Cross Default and Cross Acceleration” in the accompanying prospectus.

Listing The Republic is offering the global bonds for sale in the United States and elsewhere where such offer and sale is permitted. The Republic has applied to have the global bonds listed and traded in accordance with the rules of the Luxembourg Stock Exchange. The Republic cannot guarantee that the application to the Luxembourg Stock Exchange will be approved, and settlement of the global bonds is not conditional on obtaining the listing.

Form, Denomination and Registration The global bonds will be issued in fully registered form in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The global bonds will be represented by one or more global securities registered in the name of a depository, its nominee or a custodian. Beneficial interests in the global securities will be shown on, and the transfer thereof will be effected only through, records maintained by the depository and its direct and indirect participants. Settlement of all secondary market trading activity in the global bonds will be made in immediately available funds. See “Description of the Securities — Description of the Debt Securities — Global Securities” in the accompanying prospectus.

Further Issues The Republic may from time to time, without notice to or the consent of the registered holders of global bonds, issue further bonds which will form a single series with the global bonds. See

“Collective Action Securities — Further Issues of Debt Securities” in the accompanying prospectus.

Use of Proceeds The Republic will use the net proceeds from the sale of the global bonds for the general purposes of the Republic, including budgetary support.

Fiscal Agent JPMorgan Chase Bank.

Governing Law The fiscal agency agreement and the global bonds will be governed by and interpreted in accordance with the laws of the State of New York. The laws of the Republic will govern all matters governing authorization and execution of the global bonds by the Republic.

USE OF PROCEEDS

The Republic will use the net proceeds from the sale of the global bonds for the general purposes of the Republic, including budgetary support. The net proceeds received from the offering are estimated to be approximately US\$1,470,865,000 after deducting estimated expenses of approximately US\$350,000 and underwriting discounts and commissions.

RECENT DEVELOPMENTS

The information in this section supplements the information about the Republic that is included in the accompanying prospectus dated April 15, 2004.

Recent Political Developments

National Election Results

On May 10, 2004, national elections were held for the positions of President, Vice President, twelve Senators, more than 200 Representatives and all local government posts (excluding Barangay officials). On June 24, 2004, pursuant to the Constitution, the joint session of Congress declared Gloria Macapagal-Arroyo and Noli de Castro as President-elect and Vice President-elect, respectively. They began their six-year terms on June 30, 2004.

Both Mrs. Arroyo and Mr. de Castro are members of the ruling Koalisyon ng Katapatan at Karanasan para sa Kinabukasan (“K4”) coalition. The ruling coalition enlarged its majority in both the Senate and the House of Representatives in the 13th Congress which convened on July 26, 2004. Certain opposition candidates, including defeated presidential candidate Fernando Poe, Jr., have questioned the election results, alleging fraud and disenfranchisement of voters. On July 23, 2004, Mr. Poe petitioned the Philippine Supreme Court, acting in its capacity as the Presidential Electoral Tribunal, to order a recount of approximately 60% of votes cast nationwide. In response, President Arroyo and Vice-President de Castro have asked the tribunal to dismiss the petition for lack of merit. Mr. Poe died on December 14, 2004, after suffering a stroke. However, his widow, Susan Roces, has petitioned the Supreme Court to pursue the electoral protest on behalf of her late husband.

Arroyo Administration Policy

On June 28, 2004, President Arroyo announced a ten-point agenda of policy priorities for her new six-year term in office. The President’s agenda includes the following goals:

- creating six to ten million jobs in six years through increased support for entrepreneurs, increased lending to small and medium enterprises and the development of one to two million hectares of land for agriculture;
- improving education through the construction of new classrooms, the provision of books and supplies for students and scholarships to poor families;
- balancing the Government budget;
- expanding transportation networks and digital infrastructure to link the entire country;
- providing electricity and water to local communities across the country;
- alleviating congestion in Metro Manila by establishing new government and housing centers in other regions;
- developing the Clark Special Economic Zone and the Subic Bay Freeport Area as international service and logistics centers;
- automating the electoral process;
- completing the peace process with rebel groups in the Philippines; and
- promoting reconciliation among opposing political movements.

On July 26, 2004, President Arroyo gave her State of the Nation Address. In it, she announced that her administration would pursue five key reform packages, including:

- job creation through economic growth, stimulated by reducing the fiscal deficit through reducing government costs and raising revenue;

- reduction and elimination of corruption through good government, including implementing judicial reforms, strengthening the role of ombudsmen, and reducing government inefficiency;
- improvement in social justice and basic needs through environmental reforms and promotion of the agribusiness sector;
- expansion of technical and vocational training, and English and science learning; and
- achievement of energy independence and savings by securing sufficient production and distribution of energy through the privatization of National Power Corporation’s power generating facilities and transmission lines.

As part of its economic growth agenda, the Government has announced a fiscal consolidation program that aims to achieve a balanced budget by 2010 and reduce the consolidated public sector deficit to GDP to 6% in 2005 and 1% by 2010. The Government has proposed eight priority legislative revenue measures intended to generate a total of at least ₱80 billion in additional revenues and savings per year (based on current levels of revenues and expenditures). As of January 26, 2004, two of these measures, the increase in alcohol and tobacco taxes and the lateral attrition system (intended to increase efficiency of revenue collection), have been enacted into law. Each proposed bill must go through three readings (the first in committee, the second and third before the entire chamber) in each of the House and the Senate. Next, any differences between the House and Senate versions must be reconciled by a bicameral conference committee. Then both houses of Congress must pass the reconciled bill before it is presented for Presidential approval. These eight measures and their current status are summarized below.

<u>Proposed Measure</u>	<u>Status</u>
Increase in alcohol and tobacco taxes	Signed into law
Lateral attrition system ⁽¹⁾	Signed into law
Repeal of inefficient and redundant fiscal incentives	House bill approved on third reading; Senate bill pending in committee
Gradual increase in value-added taxes (“VAT”)	House bill on second reading; Senate bill pending in committee
Tax amnesty program	House bill approved on third reading; Senate bill pending in committee
Increase in excise tax on petroleum products	House bill pending in committee; bill not yet filed in Senate
New franchise tax on telecommunications.	House bill pending in committee; bill not yet filed in Senate
Simplified income tax system	House bill pending in committee; bill not yet filed in Senate

Source: Department of Finance

(1) A system of rewards and penalties at the Bureau of Internal Revenue and the Bureau of Customs designed for officials and employees who exceed or fall short of revenue collection quotas.

In December 2004, President Arroyo approved the Medium-Term Philippine Development Plan 2004-2010, which provides comprehensive details of measures intended to achieve the Government’s basic goal of poverty reduction and economic growth, as well as the President’s specific ten-point agenda.

Also, the Government intends to restructure and reform the financial sector by:

- strengthening the supervisory powers of the monetary authority;
- institutionalizing corporate governance standards;
- establishing credible credit information through domestic credit rating systems;
- improving the regulation of credit cooperatives; and
- professionalizing management of state pension funds.

Formation of the New Arroyo Administration

In August 2004, President Arroyo appointed the Cabinet members of her new administration. Changes in the Cabinet were intended to improve public service, strengthen the rule of law and boost the economy. New Cabinet secretaries were appointed based on their integrity, competence and commitment to the Government's development agenda. The new appointees include former representative Raul Gonzalez as Secretary of Justice and former Chief Presidential Legal Counsel Avelino Cruz Jr. as Secretary of Defense. Among the Cabinet members reappointed from President Arroyo's first administration are Budget Secretary Emilia Boncodin, Trade Secretary Cesar Purisima and Secretary of Socioeconomic Planning Romulo Neri.

In January 2005, Secretary of Finance Juanita Amatong announced her resignation. She will be replaced by Cesar Purisima, currently Secretary of Trade and Industry. Cesar Purisima will be replaced by Juan Santos, formerly Chairman and CEO of Nestlé Philippines. Energy Secretary Vincent Perez also announced his resignation in January 2005, to be effective March 2005. He will be replaced by Raphael Lotilla, currently president of Power Sector Assets and Liabilities Management Corporation.

Internal Conflict with Rebel Groups

Peace negotiations between the Government and the Moro Islamic Liberation Front ("MILF") resumed in December 2004 in Malaysia. An advance survey party of a Malaysian-led international monitoring team arrived in the southern Philippines in September 2004 and continues to monitor implementation of the joint cease-fire declaration between the Government and the MILF which was signed on July 19, 2003. The next round of peace negotiations is currently scheduled for February 2005.

The Government and the National Democratic Front ("NDF") held a third round of peace negotiations in Oslo from June 22–24, 2004. The Government and the NDF have reaffirmed their intention to continue the peace process; however, a fourth round of peace talks originally planned for August 2004 has been postponed indefinitely by the NDF. The NDF has indicated it will not participate in further formal talks as long as it is designated a "terrorist organization" by the United States government. Fighting has continued between the NDF and Government forces, resulting in more than 100 casualties on each side during 2004.

Government Expropriation of Airport Terminal

In December 2004, the Government took possession of the new Terminal 3 of Ninoy Aquino International Airport in Manila, intending to prepare the terminal for operations as soon as possible. In 2003, the Supreme Court had nullified the Government's concession agreement with Piatco, the private consortium contracted to build the terminal, and the terminal has not yet opened to the public. Piatco is co-owned by Fraport AG, a German airport developer, and certain Filipino companies. The government has offered a down payment of ₱3 billion (approximately \$53 million) to Piatco and has stated that it intends to provide just compensation for the expropriation. However, Fraport has asked for a minimum of €350 million (approximately \$465 million) in compensation.

On January 4, 2005, a Philippine regional trial court ordered that the Government pay a down payment of \$62 million; however, on January 14, 2005 the Supreme Court issued a temporary restraining order against enforcement of the trial court's judgment, and the dispute over the amount of just compensation remains pending before the Supreme Court. Two other disputes over the nullified concession agreement — one filed by Piatco against the Government before the International Center for Settlement of Investment Disputes in Washington, D.C., and the other filed by Fraport against the Government before the International Chamber of Commerce in Paris — also remain pending.

Recent Economic Developments

Recent Economic Indicators

The following table sets out the performance of certain of the Republic's principal economic indicators for the specified periods.

	<u>2002</u>	<u>2003</u>	<u>2004</u>
GDP growth (%)	4.3 ⁽¹⁾	4.7	6.5 ⁽²⁾
GNP growth (%)	4.3 ⁽¹⁾	5.6	6.2 ⁽²⁾
Inflation rate (%)	3.0	3.0	5.5 ⁽³⁾
Unemployment rate (%) ⁽⁴⁾	11.4	11.4	11.8
91-day T-bill rate (%)	5.4	6.0	7.3
External position			
Balance of payments (\$ million)	663	111	(282)
Trade-in-goods balance/GNP (%)	0.5	(1.5)	(1.8) ⁽²⁾
Export growth (%)	10.0	1.4	11.5 ⁽²⁾
Import growth (%)	6.2	6.3	8.7 ⁽²⁾
External debt (\$ billion) ⁽⁵⁾⁽⁶⁾	53.6	57.4	55.6 ⁽⁷⁾⁽⁸⁾
International reserves			
Gross (\$ billion)	16.2	16.9	16.0
Net (\$ billion)	12.8	13.9	14.4
Months of retained imports ⁽⁹⁾	4.7	4.7	4.1
Domestic credit growth (%)	4.8	4.8	8.1 ⁽¹⁰⁾

(1) GDP and GNP growth figures for 2001 and 2002 have recently been revised. See "GDP and Major Financial Indicators — Periodic Revisions to Philippine National Accounts" in the accompanying prospectus.

(2) First nine months of 2004.

(3) Average for 2004 based on the 1994 CPI basket.

(4) Average of the January, April, July and October applicable statistics based on the January, April, July and October labor force surveys for the relevant year.

(5) Includes Bangko Sentral obligations, public sector debt whether or not guaranteed by the Government and private sector debt registered and approved by Bangko Sentral. Does not include intercompany accounts of Philippine branches of foreign banks, private sector debt not registered with Bangko Sentral or private sector obligations under capital lease arrangements. Figures reflect the change in treatment of offshore banking units from non-resident to resident entities, pursuant to the fifth edition of the IMF Balance of Payments Manual ("BPM5").

(6) As of December 31 of the relevant year, unless otherwise indicated.

(7) As of September 30, 2004.

(8) Beginning in 2004, Bangko Sentral revised its accounting methodology to exclude resident-to-resident accounts.

(9) Number of months of average imports of merchandise goods and payments of services and income that can be financed by gross reserves.

(10) Year-on-year as of November 2004.

Credit Ratings

On November 9, 2004, Moody's Investors Service placed on review for possible downgrade the Republic's long-term foreign and local currency ratings due to concerns over the sustainability of the Government's fiscal and debt positions. Moody's stated that the Republic's reliance on external borrowing has left the Republic's fiscal position vulnerable to exchange rate fluctuations and shifts in creditor confidence. Moody's also noted the Republic's political difficulties in passing revenue measures and high levels of debt and interest payments as a proportion of revenues, as well as delays in energy sector reform that have contributed to deterioration of the public sector financial position. Moody's ratings for the Republic's long-term foreign

currency bonds and long-term local currency obligations both remain at Ba2, and a decision on the possible downgrade will be announced in March 2004.

On December 7, 2004, Fitch Ratings affirmed the Republic's long-term foreign currency rating of BB as well as the Republic's long-term local currency rating of BB+. Fitch cited the Republic's strong macroeconomic performance, growth in remittances from overseas Filipino workers and external debt maturity profile as factors that supported the Republic's credit rating in the near term. However, Fitch revised the Republic's rating outlook from stable to negative. The revision in outlook reflected increased concerns about the Republic's fiscal situation, difficulties in implementing proposed tax measures, high levels of public sector deficit and public sector debt, financial problems of National Power Corporation ("NPC") and concerns over the health of the banking sector.

On July 29, 2004, Standard & Poor's downgraded the Republic's long-term local currency rating from BBB to BBB-, citing as concerns the ability of the country's capital markets to absorb Government debt and an increased risk of Government debt crowding out private investment. Standard & Poor's made no change in the Republic's long-term foreign currency rating of BB at that time.

On January 17, 2005, Standard & Poor's Ratings Service downgraded the Republic's long-term foreign currency rating from BB to BB- and downgraded the Republic's long-term local currency rating from BBB- to BB+. Standard & Poor's noted the Government's enactment of only one of eight proposed revenue measures in 2004, as well the high ratio of public sector debt to GDP and high proportion of revenues earmarked for interest payments. Standard & Poor's also stated that the Republic's fiscal situation is vulnerable to increases in global interest rates and depreciation of the peso because of the proportion of Government debt denominated in foreign currencies. However, Standard & Poor's put the Republic's long-term ratings outlook at stable at the new rating level, citing the Republic's favorable current account balance and the Government's continued efforts to implement fiscal reforms.

Relationship with the IMF

In November 2004, the IMF completed its most recent review of the Philippine economy as part of its post-program monitoring arrangement. In its preliminary assessment, the IMF recommended further substantive revenue measures in 2005 to achieve a large initial reduction of the deficit, prompt privatization of electricity generation and transmission assets and passage of proposed measures to increase the powers and protections of banking system regulators.

Public Sector Debt

The Government has recently revised its methodology for reporting public sector debt. Previously the Department of Finance had reported total public sector debt, comprising the debt of the Government, Central Bank Board of Liquidators ("CB-BOL"), Social Security Institutions ("SSIs"), 14 monitored government-owned and controlled corporations ("GOCCs"), Government Financial Institutions ("GFIs") and Bangko Sentral.

The Republic's previously reported public sector debt as of December 31, 2003 was ₱5.9 trillion, or 137.5% of GDP for the full year 2003.

The Government's new methodology for determining public sector debt reflects international standards recommended by the IMF's Government Finance Statistics Manual 2001. Also, the Government now excludes the financial sector from its reported public sector debt to distinguish between financial public sector debt and non-financial public sector debt, and bring its reporting more in line with international practice. The Government has made the following revisions to its public sector debt figures in conformity with the IMF standards:

- Debts of GFIs and Bangko Sentral, which were included in the previously reported public sector debt, are now excluded from public sector debt.

- Intra-sectoral debt holdings, such as Government debt held by the Bond Sinking Fund and GOCC debt held by the Government, are now excluded from public sector debt under the new methodology to avoid double-counting.
- The scope of public sector debt has been expanded to include the debt of local government units.
- Levels of outstanding debts of SSIs and GOCCs have been revised to reflect recent updated data from the respective institutions.

The Republic's outstanding public sector debt as of December 31, 2003 (using the new methodology) stood at ₱4.3 trillion, or 101.1% of GDP for the full year 2003.

The following table contains the latest figures available and compares the Republic's public sector debt as previously reported with the Republic's public sector debt following the new methodology.

	As of December 31, 2003	
	Previously reported	New Format
	(in billions, except percentages)	
Total	₱5,912.8	₱4,349.4
Domestic	2,444.8	1,400.4
External	3,467.9	2,949.0
Government ⁽¹⁾	4,063.6	3,355.1
Domestic	1,726.4	1,703.8
External	2,337.2	1,651.3
14 Monitored GOCCs ⁽²⁾	1,573.9	1,639.5
Domestic	272.5	258.9
External	1,301.4	1,380.6
CB-BOL	60.5	60.5
Domestic	0.0	0.0
External	60.5	60.5
Bangko Sentral ⁽³⁾	637.4	—
Domestic	178.5	—
External	458.9	—
Social Security Institutions (SSIs) ⁽²⁾	25.2	33.3
Domestic	25.2	33.3
External	0.0	0.0
Government Financial Institutions (GFIs) ⁽³⁾	374.0	—
Domestic	264.9	—
External	109.1	—
Local government units (LGU's) ⁽⁴⁾	—	43.9
Domestic	—	43.9
External	—	0.0
Less: GOCC Debt Owned or Guaranteed by the Government ⁽⁵⁾	822.0	—
Domestic	22.6	—
External	799.3	—
Less: Adjustments		
Government debt held by Bond Sinking Fund	—	271.2
Domestic	—	270.7
External	—	0.6

	<u>As of December 31, 2003</u>	
	<u>Previously reported</u>	<u>New Format</u>
	(in billions, except percentages)	
Intra-sector debt holdings (domestic)	—	368.8
Government debt held by SSIs	—	122.5
Government debt held by LGUs	—	2.1
Government debt held by GOCCs	—	130.8
Onlending from the Government to GOCCs	—	113.4
Intra-sector debt holdings (external)	—	142.9
GOCC debt held by the Government	—	142.9
Total (% of GDP)	137.5%	101.2%
Domestic (% of GDP)	56.9%	32.6%
External (% of GDP)	80.7%	68.6%
GDP	₱4,299.9	₱4,299.9

- (1) Government debt under the revised methodology debt excludes contingent obligations.
- (2) Changes in data to reflect SSIs' and GOCCs' updated data.
- (3) Not included under the revised methodology since Bangko Sentral and GFIs are financial institutions.
- (4) Not included in previously reported public sector debt.
- (5) Includes contingent obligations and onlending from the Government to GOCCs.

GNP/GDP

According to preliminary Government estimates, the Republic's GDP for the full year 2004 grew 6.2% (compared to 4.7% growth for the full year 2003). The agriculture, fishery and forestry sector is estimated to have grown 5.1% (compared to 3.8% in 2003), the industry sector is estimated to have grown 5.5% (compared to 3.8% in 2003) and the services sector is estimated to have grown 7.1% (compared to 5.8% in 2003). Final amounts for 2004 are expected to be released on January 31, 2005.

For the first nine months of 2004, GNP grew by 6.2% to ₱896.6 billion (at constant 1985 prices) and GDP grew by 6.5% to ₱829.6 billion (at constant 1985 prices) compared to 5.9% and 4.6% growth in GNP and GDP, respectively, for the first nine months of 2003 (at constant 1985 prices). The discussion below covers GNP results for the first nine months of 2003.

Agriculture, Fishery and Forestry

The agriculture, fishery and forestry sector grew 6.7% to ₱158.3 billion (at constant 1985 prices) in the first nine months of 2004 compared to 3.2% in the same period of 2003. (However, growth declined in this sector in the fourth quarter of 2004 due to damage from typhoons.) The main contributors to growth from agriculture were rice and corn production, due to an expansion in harvest area, increased use of high-yielding variety seeds and favourable weather conditions. The fishery subsector also was a main contributor due to improved aquaculture and higher demand for Philippine fish and seaweed. The forestry subsector (which accounts for less than 1% of the agriculture, fishery and forestry sector) grew 42.0% in the first nine months of 2004 compared to 17.1% in the first nine months of 2003 due to expansion of log production from plantations and natural forests.

Industry

The industry sector grew 5.2% to ₱279.0 billion (at constant 1985 prices) in the nine months of 2004, compared to 4.0% in the nine months of 2003. The mining and quarrying subsector grew 6.2% in the first nine months of 2004, compared to 20.3% growth in the same period of 2003. The decline in the growth rate was attributed mainly to lower growth in gold and copper mining and a slower growth from the Malampaya Gas

Project. Growth in the manufacturing subsector was 4.5% in the first nine months of 2004 compared to 4.6% in the first nine months of 2003. The slowdown in growth in the manufacturing sector was caused mainly by slower growth in the petroleum products and coal industries, even though growth accelerated for food, beverages, electric machinery and chemicals and chemical products. Construction grew 10.5% in the first nine months of 2004 compared to a decline of 4.1% in the first nine months of 2003, reflecting increased growth in both private construction and public infrastructure spending. The electricity and water subsector grew 3.4% in the first nine months of 2004 compared to 3.1% in the same period of 2003 due to an increase in electric generation and sales to major customers and continued rehabilitation and expansion in water supply service areas.

Services

The services sector grew 7.3% to ₱392.3 billion (at constant 1985 prices) in the first nine months of 2004, compared to 5.6% in the first nine months of 2003. The transportation, communication and storage subsector grew 10.8% of 2004 compared to 8.3% in the same period of 2003 due to an increase in tourism and cargo shipments, mobile phone services and call centers. The trade subsector grew 7.1% in the first nine months of 2004 compared to 5.4% in the first nine months of 2003 due to an increase in retail trade and an increase in wholesale trade in agricultural products such as processed food, petroleum products and pharmaceutical products. The finance subsector grew by 8.9% in the first nine months of 2004 compared to growth of 7.0% in the first nine months of 2003, mainly because of increased growth in banking services for overseas Filipino workers and increased growth in the insurance sector due to Government policies favoring the sector. The dwellings and real estate subsector grew by 5.7% in the first nine months of 2004 compared to 3.7% during the first nine months of 2003. Increased growth in this subsector was due mainly to growth in business services companies and improved sales of high-end residential properties. The private services subsector grew 6.6% in the first nine months of 2004 compared to growth of 5.2% in the first nine months of 2003. Main contributors to growth were tourism, recreational services and private business services. The government services subsector expanded by 3.0% in the first nine months of 2004, a slight decrease from the 3.2% in the same period of 2003 as reductions in non-essential Government operating expenditures offset election-related expenditures.

Inflation

For the year 2004, inflation measured using the 1994 CPI basket averaged 5.5% and inflation measured using the 2000 CPI basket averaged 6.0%, while for the year 2003, inflation measured using the 1994 CPI basket averaged 3.0% and inflation measured using the 2000 CPI basket averaged 3.5%. The increases in inflation rates from 2003 to 2004 can be traced largely to higher prices for food due to recent typhoons and higher prices for energy-related products (such as fuel, light and transportation) caused by higher oil prices in the international market.

Although the Government has recently reported inflation figures based on both the 1994 CPI basket and the 2000 CPI basket, the 2000 CPI basket will be the only official measure for inflation beginning in January 2005.

In November 2004, the Producer's Price Index for the manufacturing sector increased 10.0% from a year earlier. The increase was attributed mainly to footwear and apparel, with basic metals, petroleum products, tobacco, non-metallic mineral products, fabricated metal products, food manufacturing and electrical machinery also contributing to the overall increase in the index.

Employment

The unemployment rate increased to 10.9% in October 2004 from 10.2% in October 2003 as job growth failed to keep pace with growth in the labor force. Total employment increased by 180,000 jobs from October 2003 to October 2004, while 499,000 people entered the labor force. During this period the labor force participation rate declined from 67.1% to 66.5% of the population 15 years old and over. The unemployment rate for Metro Manila in October 2004 was 18.4%, the highest in the country. The range of real minimum wage rates across the Republic was ₱99.12 - 128.82 per day (in 1994 prices) in 2004 compared with ₱99.57 - 127.80 per day (in 1994 prices) in 2003.

Balance of Payments

For the full year 2004, the Republic's balance of payments recorded an overall deficit of \$282 million.

For the first nine months of 2004, the Republic's balance of payments recorded a deficit of \$178 billion (equal to 0.3% of GDP), compared to the \$775 million deficit (equal to 1.4% of GDP) for the first nine months of 2003. A surplus of \$2.9 billion (equal to 4.7% of GDP) was recorded in the current account for the first nine months of 2004, compared to a \$1.9 billion surplus (equal to 3.2% of GDP) recorded for the first nine months of 2003. This was offset by a deficit of \$1.7 billion in the capital and financial account and a deficit of \$1.4 billion in unclassified items. "Net unclassified items" comprise errors and omissions due to timing differences between inflows and outflows, double-counting and insufficient reporting of data.

Current Account

The current account recorded a surplus of \$2.9 billion for the first nine months of 2004, 57.1% higher than the \$1.9 billion surplus for the first nine months of 2003. The expansion in the surplus was attributed to the smaller deficit in the trade-in-goods and increased remittances from overseas Filipino workers.

Trade-in-goods. The deficit in the trade-in-goods account, as reported by Bangko Sentral, declined to \$1.1 billion for the first nine months of 2004 from \$1.4 billion for the first nine months of 2003, with exports expanding faster than imports. The rise in exports of goods was attributed mainly to the continued recovery in shipments of electronics, which account for 51.4% of the country's exports as reported by Bangko Sentral, and sustained sales of machinery and transport equipment. Other commodities contributing to the growth in exports were non-metallic mineral manufactures, fruits and vegetables, sugar products and other food products.

Trade-in-services. The trade-in-services account reported a deficit of \$701 million for the first nine months of 2004 compared to the \$1.0 billion deficit in the same period of 2003. The decrease in the trade-in-services deficit was largely attributed to higher net inflows from travel as the industry recovered from the downturn in 2003 caused by the SARS epidemic and uncertainties over the global security situation.

Income. The income account recorded a surplus of \$4.3 billion for the first nine months of 2004, compared to a surplus of \$3.8 billion for the first nine months of 2003. Increases in deployment of both land-based and sea-based OFWs, as well as higher average incomes for OFWs, caused OFW remittances to increase by 9.4% year-on-year to \$6.2 billion over the first three quarters of 2004. Increases in OFW remittances more than offset the rise in interest payments on bonds and notes by the Government and private corporations.

OFW remittances for the eleven-month period ending November 30, 2004 totalled US\$7.7 billion, reflecting an 11.0% increase from \$6.9 billion for the first eleven months of 2003.

Capital and Financial Account

The deficit in the capital and financial account was \$1.7 billion for the first nine months of 2004, compared to \$3.9 billion in the same period in 2003. The overall decrease in the deficit reflected improvements in each of the direct investment, portfolio investment, and other investment accounts.

Direct Investments. The direct investment account recorded a net inflow of \$252 million for the first nine months of 2004, compared to the \$143 million net inflow for the first nine months of 2003. This was attributed mainly to significant growth in equity investments in the Philippines from 2003 to 2004. Investments were channeled mainly to the manufacturing, real estate and transportation, storage and communication sectors.

Portfolio Investments. The portfolio investment account recorded net inflows of \$401 million during the third quarter of 2004 compared to net inflows of \$8 million for the first nine months of 2003. The increased surplus in portfolio investments from abroad was attributed mainly to increased investments by non-residents in Government bonds.

Other Investments. The net outflow in the other investment account for the first nine months of 2004 decreased significantly to \$2.3 billion from \$4.0 million for the first nine months of 2003. The decrease in outflows in the other investments account was due largely to increased foreign currency borrowings by local companies and the Government.

International Reserves

Bangko Sentral's gross international reserves stood at \$16.0 billion as of December 31, 2004, reflecting a 1.0% increase over the \$15.9 billion level as of November 30, 2004 but reflecting a 5.0% decrease from the \$16.9 billion level as of December 31, 2003. Gross international reserves as of December 31, 2004 were adequate to cover 4.1 months of imports of goods and payments of services and income, and were equivalent to 2.9 times the Republic's short-term debt based on original maturity and 1.5 times based on residual maturity. The increase in reserves in from November 2004 to December 2004 was attributed mainly to the deposits of Government program and project loans (\$156 million) and investment income from Bangko Sentral's placements abroad (\$21 million). These inflows were partly offset by the debt service requirements of the Government and Bangko Sentral.

Bangko Sentral's net international reserves increased to \$14.4 billion as of December 31, 2004 from \$14.2 billion as of November 30, 2004, and \$13.8 billion as of December 31, 2003.

Peso/US\$ Exchange Rate

On January 26, 2005, the peso to US dollar exchange rate was ₱55.34 per US dollar, compared to ₱56.27 per US dollar as of December 29, 2004 and ₱55.57 per US dollar as of December 30, 2003.

Philippine Securities Markets

As of January 26, 2005, the Philippine Stock Exchange composite index closed at 1970.28, compared to a close of 1822.83 on December 29, 2004 and 1442.37 on December 30, 2003.

Money Supply

The Republic's money supply (M3) as of November 30, 2004 was ₱1.80 trillion, reflecting year-on-year growth of 6.9%. The increase was attributed to an increase in net domestic assets caused mainly by growth in credits to the public and private sectors as well as the expansion of net foreign assets.

Banking System Non-Performing Loans

The commercial banking system's non-performing loan ratio (the "NPL ratio") decreased to 13.6% at the end of November 2004 from 14.2% at the end of October 2004, a decrease from 14.8% as of end-November 2003. Commercial bank loans outstanding increased 4.2% from end-October 2004 to end-November 2004 and 3.6% from end-November 2003 to end-November 2004, while the level of non-performing loans decreased 5.0% from end-November 2003 to end-November 2004 and 2.5% from end-October 2004 to end-November 2004. The overall trend from November 2003 to November 2004 has been an increase in total loan portfolio coupled with a simultaneous decline in total non-performing loans.

Financial Sector Reforms

The Government has recently undertaken a number of reforms in the financial sector intended to reduce bank holdings of non-performing assets and improve the health of the banking industry in general. Incentives under the Special Purpose Vehicle ("SPV") Act, enacted in 2003, are scheduled to expire in April 2005. Bangko Sentral has endorsed proposals in Congress to extend the incentives under the SPV Act for one year. The extension of the incentives is intended to encourage financial institutions to continue to transfer non-performing assets to private asset-management companies, thus allowing increased lending from the banking system.

In July 2004, Bangko Sentral issued guidelines for the development and implementation of banks' internal risk rating systems. The new guidelines, among other things, require banks to grade the quality of their assets according to a fixed scale, are intended to improve the effectiveness of loss provisioning.

Also, Bangko Sentral has supported amendments to the Bangko Sentral charter to strengthen regulation of the banking sector. The proposed amendments, which are currently pending before Congress, would relax bank secrecy rules, give Bangko Sentral more flexibility to order consolidations in the banking industry, clarify the grounds for closing problem banks or declaring them insolvent and strengthen legal protections for Bangko Sentral officers acting in their official capacity. Other BSP-supported reforms pending before Congress include a bill to expand the domestic capital market through retirement accounts and another bill, modeled after provisions of the U.S. Sarbanes-Oxley Act, to increase oversight of corporate accountants.

In April 2004, Congress approved the Securitization Act of 2004 (the "Securitization Act"). The Securitization Act, together with other recent changes in the legal and regulatory environment in the Philippines, is aimed at providing a legal framework for securitization, creating a favorable market environment for a range of asset-backed securities and encouraging the development of a secondary market for these securities. The implementing rules and regulations of the Securitization Act have not yet been issued.

Revenues and Expenditures

The following table sets out actual Government revenues and expenditures for 2003 and 2004, as well as programmed revenues and expenditures for 2004 and 2005.

	2003 Actual	2004		2003-2004 Growth Rate	2005 Program
		Program	Actual		
	(in million pesos, except percentages)				
Revenues	₱ 626,630	₱ 676,410	₱ 698,528	11.4%	₱ 758,472
Tax Revenues	537,361	596,408	597,715	11.2%	677,706
% of GDP	12.5%	12.7%	12.5%		13.2%
BIR	425,352	476,306	467,978	10.0%	537,399
Bureau of Customs	106,092	112,580	122,374	15.3%	132,185
Other Offices	5,917	7,522	7,363	24.4%	8,123
Non-Tax Revenues	89,269	80,002	100,543	12.6%	80,766
Bureau of Treasury	56,657	40,734	63,054	11.3%	45,369
Others	32,612	39,268	36,995	13.4%	35,397
of which, Fees & Charges	18,635	23,505	19,374	4.0%	25,170
of which, Marcos Wealth		14,763	8,954		9,727
Privatization	567	1,000	420	(25.9)%	500
Grants	1,198		74	(93.8)%	
Expenditures	826,498	874,225	884,374	7.0%	942,998
Surplus/ (Deficit)	(199,868)	(197,815)	(186,116)	(6.9)%	(184,526)
% of GDP	(4.6)%	(4.2)%	(3.9)%		(3.6)%
GDP	4,299,902	4,713,367	4,777,567		5,122,469

Source: Department of Finance

Overall, the Government's fiscal deficit was ₱186.1 billion, or approximately 3.9% of GDP, for the full year 2004, compared to ₱199.9 billion, or 4.6% of GDP, for the full year 2003.

Total Government revenues for 2004 were ₱698.5 billion, compared to ₱626.6 billion in 2003. Tax revenues in 2004 were ₱597.7 billion, compared to ₱537.4 billion in 2003, but remained at 12.5% of GDP, the same proportion as in 2003. Of total tax revenues in 2004, Bureau of Revenue ("BIR") collections accounted for ₱468.0 billion, Bureau of Customs collections accounted for 122.4 billion and other tax revenues accounted

for ₱7.4 billion. Non-tax revenues increased to ₱100.5 billion in 2004 from ₱89.3 billion in 2003, with an increase in income to the Department of Treasury from holdings of NPC debt and new income from the recently unfrozen Marcos accounts.

Total government expenditures for 2004 were ₱884.4 billion, compared to ₱826.5 billion in 2003. The increase in expenditures reflected mainly an increase in interest payments to ₱260.9 billion, or 37.4% of revenues; in 2004 from ₱226.4 billion in 2003 (due to increased Government borrowing) and an increase in infrastructure spending to ₱91.3 billion in 2004 from ₱77.6 billion in 2003 (caused primarily by reduced delays in accounting for public works expenditures in 2004). Also, personnel services expenditures increased ₱283.1 billion in 2004 from ₱276.1 billion in 2003 and maintenance expenditures increased to ₱83.9 billion in 2004 from 78.5 billion in 2003.

Actual Government revenues in 2004 exceeded programmed revenues largely because of remittances to the Bureau of Treasury from increased holdings by the Government of NPC bonds. BIR collections and revenues from the Marcos accounts in 2004 were lower than programmed, while Bureau of Customs revenues were higher than programmed. Actual Government expenditures in 2004 exceeded programmed expenditures mainly due to higher-than-expected spending on infrastructure and public works projects.

In August 2004, President Arroyo submitted to Congress a ₱907.6 billion budget for 2005, 5.3% higher than the 2004 budget of ₱861.6 billion. Based on the currently proposed budget, debt service (including Government advances to service debt of GOCCs) will account for 34.1% of the budget, the social services sector will receive 28.0% of the budget, followed by the economic sector with 17.5%, general public services, which include public order and safety with 15.5% of the budget and defense with 4.9%.

The Government's original 2005 fiscal program was based on macroeconomic targets for 2005 which include GDP growth between 5.3% and 6.3% and inflation between 4.0% and 5.0%. Revenues under the original 2005 program are projected to reach ₱758.5 billion, of which ₱677.7 billion, or 89.3%, will come from taxes while the remaining ₱80.8 billion will be derived from non-tax sources such as fees and charges, income and foreign grants. Total expenditures under the original 2005 program for 2005 (which include obligations in the 2005 budget as well as payables for previous years) are expected to be ₱943.0 billion. A total of ₱301.7 billion, or 38.5% of projected revenues, are earmarked for interest payments under the 2005 fiscal program. The Government's fiscal deficit under the original 2005 program is projected to decrease from 4.2% of GDP in 2004 to 3.6% of GDP, or ₱184.5 billion, in 2005. The Government has revised its 2005 program to take into account an estimated ₱15.0 billion in additional revenues following the enactment of higher taxes on alcohol and tobacco, as well as an estimated ₱10.0 billion in additional revenues from administrative improvements in the BIR, Bureau of Customs and Bureau of Treasury. The Government also intends to pursue a policy of spreading out maturities in its debt profile. There can be no assurance that actual borrowings in 2005 will be the same as proposed in the current 2005 fiscal program or otherwise reflect currently proposed policies.

External Debt

As of September 30, 2004, the Republic's outstanding external debt approved by or registered with Bangko Sentral was \$55.6 billion, reflecting a decrease of \$1.8 billion from the \$57.4 billion recorded as of December 31, 2003. This decrease over the first three quarters of 2004 was mainly due to net payments on external obligations, downward foreign exchange revaluation adjustments and a change in Bangko Sentral's accounting methodology to exclude resident-to-resident accounts from external debt. Applying the original methodology, Bangko Sentral-approved external debt was \$55.8 billion as of September 30, 2004.

As of November 30, 2004, the outstanding direct external debt of the Republic stood at \$32.2 billion, compared to \$29.7 million as of December 31, 2003. The increase in direct external debt was attributable mainly to the Republic's issuance of global bonds and eurobonds.

Under the Electric Power Industry Reform Act of 2001, the Government is obligated to assume ₱200 billion of NPC's debt. The Government is in the process of finalizing documentation to complete the assumption of \$3.4 billion and €500 million of NPC's debt.

Increase in Electricity Rates by National Power Corporation

On September 3, 2004, the Energy Regulatory Commission (“ERC”) allowed National Power Corporation (“NPC”) a provisional increase in electricity rates by an average of ₱0.98 per kilowatt-hour. NPC and Power Sector Assets and Liabilities Management Corporation (“PSALM”) had filed an application with the ERC to increase electricity rates charged to its customers by an average of ₱1.87 per kilowatt-hour. The provisional rate increase became effective on September 26, 2004 and is expected to reduce NPC’s losses by ₱8 billion in 2004 and ₱34 billion in 2005. NPC has also applied for a ₱0.40 per kilowatt-hour increase in power rates under the generation rate adjustment mechanism.

DESCRIPTION OF THE GLOBAL BONDS

General

The global bonds will be issued under a fiscal agency agreement, dated as of October 4, 1999, as supplemented by a supplement to the fiscal agency agreement dated February 26, 2004, between the Republic and JPMorgan Chase Bank, as fiscal agent. The global bonds are a series of debt securities more fully described in the accompanying prospectus, except to the extent indicated below. Except as otherwise described, the global bonds will at all times rank at least equally among themselves and with all other unsecured and unsubordinated External Indebtedness (as defined in the accompanying prospectus) of the Republic. The following statements are subject to the provisions of the fiscal agency agreement, the supplement to the fiscal agency agreement and the global bonds. This summary does not purport to be complete and the description below may not contain all of the information that is important to you as a potential investor in the global bonds. The Republic has filed forms of these documents as exhibits to the registration statement numbered 333-113450. You should refer to the exhibits for more complete information. Capitalized terms not defined below shall have the respective meanings given in the accompanying prospectus.

The global bonds will:

- bear interest at 9.50% from the settlement date;
- mature at par on February 2, 2030;
- pay interest on February 2 and August 2 of each year, commencing August 2, 2005; and
- pay interest to the persons in whose names the global bonds are registered on the record date, which is the close of business on the preceding January 18 or July 18 (whether or not a business day), as the case may be. Interest will be calculated on the basis of a 360-day year, consisting of twelve 30-day months.

The global bonds will be designated Collective Action Securities, and, as such, will contain provisions regarding default, acceleration, voting on amendments, modifications, changes, waivers and future issues of global bonds that differ from those applicable to most of the Republic's outstanding External Public Indebtedness. Under these provisions, which are commonly referred to as "collective action clauses," the Republic may, among other things, amend certain key terms of the global bonds, including the maturity date, interest rate and other payment terms, with the consent of the holders of not less than 75% of the aggregate principal amount of the outstanding global bonds. Those provisions are described in the section entitled "Collective Action Securities" on page 96 of the accompanying prospectus dated April 15, 2004.

The Republic has applied to the Luxembourg Stock Exchange for listing of, and permission to deal in, the global bonds in accordance with the rules of the Luxembourg Stock Exchange. We cannot guarantee that the application to the Luxembourg Stock Exchange will be approved, and settlement of the global bonds is not conditional on obtaining the listing.

Book Entry

The Republic will issue the global bonds in the form of fully registered global securities. The Republic will deposit the global securities with DTC and register the global securities in the name of Cede & Co., as DTC's nominee. Beneficial interests in the global securities will be represented by, and transfers thereof will be effected only through, book-entry accounts maintained by DTC and its participants.

You may hold your beneficial interests in a global security through Euroclear or Clearstream, Luxembourg, or indirectly through organizations that are participants in such systems. Euroclear and Clearstream, Luxembourg will hold their participants' beneficial interests in a global security in their customers' securities accounts with the Clearing System Depositories. The Clearing System Depositories in turn will hold such interests in their customers' securities accounts with DTC.

Certificated Securities

In circumstances detailed in the accompanying prospectus (see “Description of the Securities — Description of the Debt Securities — Global Securities — Registered Ownership of the Global Security”), the Republic could issue certificated securities. The Republic will only issue certificated securities in fully registered form in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. The holders of certificated securities shall present directly at the corporate trust office of the fiscal agent, at the office of the Luxembourg paying and transfer agent or at the office of any other transfer agent as the Republic may designate from time to time all requests for the registration of any transfer of such securities, for the exchange of such securities for one or more new certificated securities in a like aggregate principal amount and in authorized denominations and for the replacement of such securities in the cases of mutilation, destruction, loss or theft. Certificated securities issued as a result of any partial or whole transfer, exchange or replacement of the global bonds will be delivered to the holder at the corporate trust office of the fiscal agent, at the office of the Luxembourg paying and transfer agent or at the office of any other transfer agent, or (at the risk of the holder) sent by mail to such address as is specified by the holder in the holder’s request for transfer, exchange or replacement.

Registration and Payments

The Republic will pay the principal amount of a global bond on its maturity date in immediately available funds in the City of New York upon presentation of the global bond at the office of the fiscal agent in the City of New York or, subject to applicable law and regulations, at the office outside the United States of any paying agent, including the Luxembourg paying agent (if the global bonds are listed on the Luxembourg Stock Exchange and the rules of the exchange so require).

The Republic will appoint the fiscal agent as registrar, principal paying agent and transfer agent of the global bonds. In these capacities, the fiscal agent will, among other things:

- maintain a record of the aggregate holdings of global bonds represented by the global securities and any certificated securities and accept global bonds for exchange and registration of transfer;
- ensure that payments of principal and interest in respect of the global bonds received by the fiscal agent from the Republic are duly paid to the depositaries for the global securities or their respective nominees and any other holders of any global bonds; and
- transmit to the Republic any notices from holders of any of the global bonds.

If the global bonds are accepted for listing on the Luxembourg Stock Exchange, and the rules of the Luxembourg Stock Exchange so require, the Republic will appoint and maintain a Luxembourg paying and transfer agent, which shall initially be J.P. Morgan Bank Luxembourg S.A. Payments and transfers with respect to the global bonds may be effected through the Luxembourg paying and transfer agent, which will be executed through Euroclear and Clearstream, Luxembourg. Holders of certificated global bonds may present such securities for registration of transfer or payment at the office of the Luxembourg paying and transfer agent. Forms of the transfer notice (or other instrument of transfer) are available, and duly completed transfer notices (or other instrument of transfer) may be submitted, at the office of the Luxembourg paying and transfer agent. For so long as the global bonds are listed on the Luxembourg Stock Exchange, the Republic will publish any change as to the identity of the Luxembourg paying and transfer agent in a leading newspaper in Luxembourg, which is expected to be the *Luxemburger Wort*.

Redemption and Sinking Fund

The Republic may not redeem the global bonds prior to maturity. The Republic will not provide a sinking fund for the amortization and retirement of the global bonds.

Regarding the Fiscal Agent

The fiscal agent has its principal corporate trust office at 4 New York Plaza, 15th Floor, New York, New York 10004. The Republic will at all times maintain a paying agent and a transfer agent in the City of New York which will, unless otherwise provided, be the fiscal agent. The Republic may maintain deposit accounts and conduct other banking transactions in the ordinary course of business with the fiscal agent. The fiscal agent will be the agent of the Republic, not a trustee for holders of any global bonds. Accordingly, the fiscal agent will not have the same responsibilities or duties to act for such holders as would a trustee, except that all funds held by the fiscal agent for the payment of principal, and premium, if any, or interest on the global bonds shall be held by the fiscal agent in trust for the holders of the global bonds.

The fiscal agency agreement and the supplement to the fiscal agency agreement are not required to be qualified under the US Trust Indenture Act of 1939. Accordingly, the fiscal agency agreement and the supplement to the fiscal agency agreement may not contain all of the provisions which could be beneficial to holders of the global bonds which would be contained in an indenture qualified under the Trust Indenture Act.

Notices

All notices will be mailed to the registered holders of the global bonds. If a depositary is the registered holder of the global bonds, each beneficial holder must rely on the procedures of the depositary and its participants to receive notice, subject to any statutory or regulatory requirements.

In connection with the application to list the global bonds on the Luxembourg Stock Exchange, the Republic expects to undertake that so long as the global bonds are listed on the Luxembourg Stock Exchange, all notices also will be published in Luxembourg in the *Luxemburger Wort*. If the Republic cannot, for any reason, publish notice in the *Luxemburger Wort*, it expects to choose an appropriate alternate English language newspaper of general circulation in Luxembourg.

GLOBAL CLEARANCE AND SETTLEMENT

The Depository Trust Company (“DTC”), Euroclear and Clearstream, Luxembourg have established links among themselves to facilitate the initial settlement of the global bonds and cross-market transfers of the global bonds in secondary market trading. DTC will be linked to JPMorgan Chase Bank, a New York banking corporation, as depository of the Euroclear System (“Euroclear”), and Citibank, N.A., as depository for Clearstream Banking, société anonyme (“Clearstream, Luxembourg”) (the “Clearing System Depositories”).

Although DTC, Euroclear and Clearstream, Luxembourg have agreed to the procedures provided below to facilitate transfers of global bonds among participants of DTC, Euroclear and Clearstream, Luxembourg, they are under no obligation to perform such procedures. In addition, such procedures may be modified or discontinued at any time. Neither the Republic nor the Fiscal Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream, Luxembourg or their respective participants or indirect participants of the respective obligations under the rules and procedures governing their operations.

The Clearing Systems

The Depository Trust Company. DTC is:

- a limited-purpose trust company organized under the New York Banking Law;
- a “banking organization” under the New York Banking Law;
- a member of the Federal Reserve System;
- a “clearing corporation” under the New York Uniform Commercial Code; and
- a “clearing agency” registered under Section 17A of the US Securities Exchange Act of 1934.

DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between its participants. It does this through electronic book-entry settlement in the accounts of its direct participants, eliminating the need for physical movement of securities certificates. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc.

DTC can act only on behalf of its direct participants, who in turn act on behalf of indirect participants and certain banks. In addition, unless a global security is exchanged in whole or in part for a definitive security, it may not be physically transferred, except as a whole among DTC, its nominees and their successors. Therefore, your ability to pledge a beneficial interest in the global security to persons that do not participate in the DTC system, and to take other actions, may be limited because you will not possess a physical certificate that represents your interest.

Euroclear and Clearstream, Luxembourg. Like DTC, Euroclear and Clearstream, Luxembourg hold securities for their participants and facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry settlement in their accounts. Euroclear and Clearstream, Luxembourg provide various services to their participants, including the safekeeping, administration, clearance and settlement and lending and borrowing of internationally traded securities. Euroclear and Clearstream, Luxembourg participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and other organizations. Other banks, brokers, dealers and trust companies have indirect access to Euroclear or Clearstream, Luxembourg by clearing through or maintaining a custodial relationship with a Euroclear or Clearstream, Luxembourg participant.

Initial Settlement

If you plan to hold your interests in the securities through DTC, you will follow the settlement practices applicable to global security issues. If you plan to hold your interests in the securities through Euroclear or Clearstream, Luxembourg, you will follow the settlement procedures applicable to conventional Eurobonds in registered form. If you are an investor on the settlement date, you will pay for the global bonds by wire transfer

and the entity through which you hold your interests in the global bonds will credit your securities custody account.

Secondary Market Trading

The purchaser of securities determines the place of delivery in secondary market trading. Therefore, it is important for you to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date (i.e., the date specified by the purchaser and seller on which the price of the securities is fixed).

Settlement among DTC participants. DTC participants will transfer interests in the securities among themselves in the ordinary way according to the rules and operating procedures of DTC governing global security issues. Participants will pay for these transfers by wire transfer.

Settlement among Euroclear and/or Clearstream, Luxembourg participants. Euroclear and Clearstream, Luxembourg participants will transfer interests in the securities among themselves in the ordinary way according to the rules and operating procedures of Euroclear and Clearstream, Luxembourg governing conventional Eurobonds. Participants will pay for these transfers by wire transfer.

Settlement between a DTC seller and a Euroclear or Clearstream, Luxembourg purchaser. When the securities are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream, Luxembourg participant, the purchaser must first send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day before the settlement date for such securities. Euroclear or Clearstream, Luxembourg will then instruct its depository to receive the securities and make payment for them. On the settlement date for such securities, the depository will make payment to the DTC participant's account and the securities will be credited to the depository's account. After settlement has been completed, DTC will credit the securities to Euroclear or Clearstream, Luxembourg, and in turn Euroclear or Clearstream, Luxembourg will credit the securities, in accordance with its usual procedures, to the participant's account, and the participant will then credit the purchaser's account. These securities credits will appear the next day (European time) after the settlement date. The cash debit from the account of Euroclear or Clearstream, Luxembourg will be back-valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date (i.e., the trade fails), the cash debit will instead be valued at the actual settlement date.

Participants in Euroclear and Clearstream, Luxembourg will need to make funds available to Euroclear or Clearstream, Luxembourg in order to pay for the securities by wire transfer on the value date. The most direct way of doing this is to preposition funds (i.e., have funds in place at Euroclear or Clearstream, Luxembourg before the value date), either from cash on hand or from existing lines of credit. Under this approach, however, participants may take on credit exposure to Euroclear and Clearstream, Luxembourg until the securities are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to a participant, the participant may decide not to preposition funds, but to allow Euroclear or Clearstream, Luxembourg to draw on the line of credit to finance settlement for the securities. Under this procedure, Euroclear or Clearstream, Luxembourg would charge the participant overdraft charges for one day, assuming that the overdraft would be cleared when the securities were credited to the participant's account. However, interest on the securities would accrue from the value date. Therefore, in many cases the interest income on securities which the participant earns during that one-day period will substantially reduce or offset the amount of the participant's overdraft charges. Of course, this result will depend on the cost of funds to (i.e., the interest rate that Euroclear or Clearstream, Luxembourg charges) each participant.

Since the settlement will occur during New York business hours, a DTC participant selling an interest in the securities can use its usual procedures for transferring global securities to the Clearing System Depositories of Euroclear or Clearstream, Luxembourg for the benefit of Euroclear or Clearstream, Luxembourg participants. The DTC seller will receive the sale proceeds on the settlement date. Thus, to the DTC seller, a cross-market sale will settle no differently than a trade between two DTC participants.

Finally, day traders that use Euroclear or Clearstream, Luxembourg and that purchase global bonds from DTC participants for credit to Euroclear participants or Clearstream, Luxembourg participants should note that these trades will automatically fail on the sale side unless one of the following three steps is taken:

- borrowing through Euroclear or Clearstream, Luxembourg for one day, until the purchase side of the day trade is reflected in their Euroclear account or Clearstream, Luxembourg account, in accordance with the clearing system's customary procedures;
- borrowing the global bonds in the United States from a DTC participant no later than one day prior to settlement, which would give the global bonds sufficient time to be reflected in the borrower's Euroclear account or Clearstream, Luxembourg account in order to settle the sale side of the trade; or
- staggering the value dates for the buy and sell sides of the trade so that the value date of the purchase from the DTC participant is at least one day prior to the value date for the sale to the Euroclear participant or Clearstream, Luxembourg participant.

Settlement between a Euroclear or Clearstream, Luxembourg seller and a DTC purchaser. Due to time zone differences in their favor, Euroclear and Clearstream, Luxembourg participants can use their usual procedures to transfer securities through their Clearing System Depositories to a DTC participant. The seller must first send instructions to Euroclear or Clearstream, Luxembourg through a participant at least one business day before the settlement date. Euroclear or Clearstream, Luxembourg will then instruct its depository to credit the securities to the DTC participant's account and receive payment. The payment will be credited in the account of the Euroclear or Clearstream, Luxembourg participant on the following day, but the receipt of the cash proceeds will be back valued to the value date, which will be the preceding day if settlement occurs in New York. If settlement is not completed on the intended value date (*i.e.*, the trade fails), the receipt of the cash proceeds will instead be valued at the actual settlement date.

If the Euroclear or Clearstream, Luxembourg participant selling the securities has a line of credit with Euroclear or Clearstream, Luxembourg and elects to be in debit for the securities until it receives the sale proceeds in its account, then the back-valuation may substantially reduce or offset any overdraft charges that the participant incurs over that one-day period.

TAXATION

General

The Republic urges you to consult your own tax advisors to determine your particular tax consequences in respect of participating in the offering, and of owning and selling the global bonds.

Philippine Taxation

The following is a summary of certain Philippine tax consequences that may be relevant to non-Philippine holders of the global bonds in connection with the holding and disposition of the global bonds. The Republic uses the term “non-Philippine holders” to refer to (i) non-residents of the Philippines who are neither citizens of the Philippines nor are engaged in trade or business within the Philippines or (ii) non-Philippine corporations not engaged in trade or business in the Philippines.

This summary is based on Philippine laws, rules, and regulations now in effect, all of which are subject to change. It is not intended to constitute a complete analysis of the tax consequences under Philippine law of the receipt, ownership, or disposition of the global bonds, in each case by non-Philippine holders, nor to describe any of the tax consequences that may be applicable to residents of the Republic.

Effect of Holding Global Bonds. Payments by the Republic of principal of and interest on the global bonds to a non-Philippine holder will not subject such non-Philippine holder to taxation in the Philippines by reason solely of the holding of the global bonds or the receipt of principal or interest in respect thereof.

Taxation of Interest on the Global Bonds. When the Republic makes payments of principal and interest to you on the global bonds, no amount will be withheld from such payments for, or on account of, any taxes of any kind imposed, levied, withheld or assessed by the Philippines or any political subdivision or taxing authority thereof or therein.

Taxation of Capital Gains. Non-Philippine holders of the global bonds will not be subject to Philippine income or withholding tax in connection with the sale, exchange, or retirement of a global bond if such sale, exchange or retirement is made outside the Philippines or an exemption is available under an applicable tax treaty in force between the Philippines and the country of domicile of the non-Philippine holder. Under the Philippine Tax Code, any gain realized from the sale, exchange or retirement of securities with an original maturity of more than five years from the date of issuance will not be subject to income tax. Since the global bonds have a maturity of more than five years from the date of issuance, any gains realized by a holder of the global bonds will not be subject to Philippine income tax.

Documentary Stamp Taxes. No documentary stamp tax is imposed upon the transfer of the global bonds. A documentary stamp tax is payable upon the issuance of the global bonds and will be for the account of the Republic.

Estate and Donor's Taxes. The transfer of a global bond by way of succession upon the death of a non-Philippine holder will be subject to Philippine estate tax at progressive rates ranging from 5% to 20% if the value of the net estate of properties located in the Philippines is over ₱200,000.

The transfer of a global bond by gift to an individual who is related to the nonresident holder will generally be subject to a Philippine donor's tax at progressive rates ranging from 2% to 15% if the value of the net gifts of properties located in the Philippines exceed ₱100,000 during the relevant calendar year. Gifts to unrelated donees are generally subject to tax at a flat rate of 30%. An unrelated donee is a person who is not a (i) brother, sister (whether by whole or half blood), spouse, ancestor, or lineal descendant or (ii) relative by consanguinity in the collateral line within the fourth degree of relationship.

The foregoing apply even if the holder is a nonresident holder. However, the Republic will not collect estate and donor's taxes on the transfer of the global bonds by gift or succession if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country that provides certain reciprocal rights to citizens of the Philippines (a “Reciprocating Jurisdiction”). For these purposes, a Reciprocating Jurisdiction is a foreign country which at the time of death or donation (i) did not impose a

transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country or (ii) allowed a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

United States Taxation

For a description of certain United States tax aspects of the global bonds, see “Taxation — United States Tax Considerations” in the accompanying prospectus. The fourth paragraph under “Taxation — United States Tax Considerations — United States Holders — The Purchase, Sale and Retirement of Debt Securities” in the accompanying prospectus should be read with the update that 15% is the maximum tax rate generally applicable under current law to net long-term capital gains recognized by an individual US holder. The first paragraph under “Taxation — United States Tax Considerations — Information Reporting and Backup Withholding” in the accompanying prospectus should be read with the update that the maximum rate of “backup withholding” tax applicable under current law is 28%.

UNDERWRITING

Subject to the terms and conditions contained in an underwriting agreement, which consists of a terms agreement dated January 26, 2005 and the underwriting agreement standard terms filed as an exhibit to the registration statement, the Republic has agreed to sell to the underwriters, namely Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and UBS Limited. In the underwriting agreement, the Republic has agreed to sell to the underwriters, and the underwriters have agreed to purchase from the Republic, global bonds in the principal amount of \$1,500,000,000. Each of the underwriters, severally and not jointly, has agreed to purchase from the Republic, the principal amounts of the global bonds listed opposite its name below.

<u>Underwriters</u>	<u>Principal Amount</u>
Citigroup Global Markets Inc. 388 Greenwich Street New York, New York 10013 United States of America	\$ 500,000,000
Deutsche Bank Securities Inc. 60 Wall Street New York, New York 10005 United States of America	\$ 500,000,000
UBS Limited 100 Liverpool Street London EC2M 2RH United Kingdom	\$ 500,000,000
Total	<u><u>\$1,500,000,000</u></u>

The underwriting agreement provides that the underwriters are obligated to purchase all of the global bonds if any are purchased. The underwriting agreement also provides that if an underwriter defaults, the purchase commitment of the non-defaulting underwriters may be increased or the offering of the global bonds may be terminated.

The Republic has agreed to indemnify the underwriters against liabilities under the US Securities Act of 1933 or contribute to payments which the underwriters may be required to make in that respect.

The Republic estimates that its out-of-pocket expenses for this offering will be approximately \$350,000. The underwriters have agreed to reimburse the Republic for certain of its expenses.

Commissions and Discounts

The underwriters have advised the Republic that they propose to offer the global bonds to the public initially at the public offering price that appears on the cover page of this prospectus supplement. After the initial public offering, the underwriters may change the public offering price and any other selling terms.

In connection with this offering of the global bonds, the underwriters may engage in overallotment, stabilizing transactions and syndicate covering transactions in accordance with Regulation M under the Securities Exchange Act of 1934. Overallotment involves sales in excess of the offering size, which create a short position for the underwriters. Stabilizing transactions involve bids to purchase the global bonds in the open market for the purpose of pegging, fixing or maintaining the price of the global bonds. Syndicate covering transactions involve purchases of the global bonds in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions and syndicate covering transactions may cause the price of the global bonds to be higher than it would otherwise be in the absence of those transactions. If the underwriters engage in stabilizing or syndicate covering transactions, they may discontinue them at any time. The Republic has been advised by the underwriters that they intend to make a market in the global bonds, but the underwriters are not obligated to do so and may discontinue any market-making activities at any time without notice. No assurance can be given as to the liquidity of or the trading market for the global bonds.

In compliance with NASD guidelines the maximum compensation to any underwriters or agents in connection with the sale of any securities pursuant to the prospectus and applicable prospectus supplements (including this supplement) will not exceed 8% of the aggregate total offering price to the public of such securities as set forth on the cover page of the applicable prospectus supplement; however, it is anticipated that the maximum compensation paid will be significantly less than 8%.

UK Selling Restrictions

Each underwriter represents and agrees that it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the global bonds in, from or otherwise involving the United Kingdom.

Hong Kong Selling Restrictions

Each underwriter has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any global bonds other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the global bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to global bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore Selling Restrictions

This prospectus supplement and the prospectus to which it relates have not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the global bonds may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this prospectus supplement and the prospectus to which it relates or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of such global bonds be circulated or distributed, whether directly or indirectly, to the public or any member of the public in Singapore other than (1) to an institutional investor or other person specified in Sections 274 and 289 of the Securities and Futures Act (the “SFA”), (2) to a sophisticated investor (as defined in Section 275 of the SFA) and in accordance with the conditions specified in Section 275 of the SFA or (3) otherwise than pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Japan Selling Restrictions

The global bonds have not been and will not be registered under the Securities and Exchange Law of Japan (the “Securities and Exchange Law”), and each underwriter has not and will not offer or sell any global bonds, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to any resident of Japan except in compliance with all the applicable laws and regulations of Japan. Pursuant to the Foreign Exchange and Foreign Trade Law of Japan, the Republic may be required to file a report in connection with the issuance or offering of global bonds in Japan or the issuance or offering outside Japan of global bonds denominated or payable in Yen with the Ministry of Finance of Japan (the “MOF”) within a limited period of time after the issue of the global bonds. Each underwriter is required to provide any necessary information on sales of global

bonds in Japan to the Republic (which shall not include the names of the purchasers thereof) so that the Republic may make such reports to the MOF.

Republic of the Philippines Selling Restrictions

The global bonds constitute exempt securities within the meaning of the Philippine Securities Regulation Code and as such are not required to be registered under the provisions of the said Code before they can be sold or offered for sale or distribution in the Philippines. However, the global bonds may be sold or offered for sale in the Philippines only by underwriters, dealers or brokers duly licensed by the Philippine Securities and Exchange Commission.

Netherlands Selling Restrictions

The global bonds may not be offered, sold, transferred or delivered in the Netherlands as part of their initial distribution or at any time thereafter, directly or indirectly, other than to banks, brokers, pension funds, insurance companies, securities firms, investment institutions, central governments, large international and supranational institutions and other comparable entities, including, *inter alia*, treasuries and finance companies of large enterprises which trade or invest in securities in the conduct of a profession or trade. Individuals or legal entities who or which do not trade or invest in securities in the conduct of their profession or trade may not participate in the offering, and the prospectus supplement and the accompanying prospectus may not be considered an offer or the prospect of an offer to participate in the offering.

Republic of Italy Selling Restrictions

No solicitations in connection with the global bond offering will be made in Italy by any party, including the underwriters. No copies of this prospectus supplement, the accompanying prospectus or any other documents relating to the global bonds or the global bond offering will be distributed in Italy. No global bonds will be offered, sold or delivered in Italy.

Settlement and Delivery

The Republic expects that delivery of the global bonds will be made against payment therefor on or about the closing date specified on the cover page of this prospectus supplement, which will be the fifth business day following the date of pricing of the global bonds. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade global bonds on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the global bonds initially will settle in T+5, to specify alternative settlement arrangements to prevent a failed settlement.

Relationship of Underwriters with the Republic

The underwriters have in the past and may in the future provide investment and commercial banking and other related services to the Republic in the ordinary course of business for which the underwriters and/or their respective affiliates have received or may receive customary fees and reimbursement of out of pocket expenses.

LEGAL MATTERS

The validity of the global bonds will be passed upon on behalf of the Republic as to Philippine law by the Secretary of the Department of Justice of the Republic, and as to US federal law and New York State law by Allen & Overy. Certain matters will be passed upon for the underwriters by Cleary Gottlieb Steen & Hamilton LLP, United States counsel for the underwriters, as to matters of US and New York State law, and by Romulo, Mabanta, Buenaventura, Sayoc & de Los Angeles, Philippine counsel for the underwriters, as to matters of Philippine law.

GENERAL INFORMATION

1. The global bonds have been accepted for clearance through The Depository Trust Corporation, Euroclear and Clearstream, Luxembourg. The International Securities Identification Number is US718286AY36, the CUSIP number is 718286AY3, and the Common Code number is 021180645.

2. The issue and sale of the global bonds was authorized by the Special Authority signed by the President of the Republic dated March 26, 2004 and the Special Authority signed by the President of the Republic dated September 6, 2004.

3. Except as disclosed in this prospectus supplement and the accompanying prospectus, there has been no material adverse change in the fiscal condition or affairs of the Republic which is material in the context of the global bond offering since April 15, 2004.

4. Application has been made to list the global bonds on the Luxembourg Stock Exchange. Copies of the following documents will, so long as any global bonds are listed on the Luxembourg Stock Exchange, be available for inspection during usual business hours at the specified office of J.P. Morgan Bank Luxembourg S.A. in Luxembourg:

- copies of the Registration Statement, which includes the fiscal agency agreement, the supplement to the fiscal agency agreement and the form of the underwriting agreement as exhibits thereto; and
- the Special Authority signed by the President of the Republic dated March 26, 2004, the Special Authority signed by the President of the Republic dated September 6, 2004 and the resolution of the Monetary Board of Bangko Sentral adopted on December 28, 2004, authorizing the issue and sale of the global bonds.

In addition, so long as the global bonds are outstanding or listed on the Luxembourg Stock Exchange, copies of the Philippines' economic reports for each year in English (as and when available) will be available at the offices of the listing agent in Luxembourg during normal business hours on any weekday. The underwriting agreement, if any, the fiscal agency agreement and the supplement to the fiscal agency agreement shall also be available free of charge at the office of the listing agent and the Luxembourg paying and transfer agent.

5. J.P. Morgan Bank Luxembourg S.A. has been appointed as the Luxembourg paying and transfer agent. For so long as the global bonds are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Republic will maintain a Luxembourg paying and transfer agent.



Republic of the Philippines

\$2,000,000,000

Debt Securities and/or Warrants

The Republic will provide specific terms of these securities in supplements to this prospectus. You should read this prospectus and any supplement carefully before you invest. This prospectus may not be used to offer or sell securities unless accompanied by a supplement. The Republic may sell the securities directly, through agents designated from time to time or through underwriters. The names of any agents or underwriters will be provided in the applicable prospectus supplement.

You should read this prospectus and any supplements carefully. You should not assume that the information in this prospectus, any prospectus supplement or any document incorporated by reference in them is accurate as of any date other than the date on the front of these documents.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

This prospectus is dated April 15, 2004.

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CERTAIN DEFINED TERMS AND CONVENTIONS

Statistical information included in this prospectus is the latest official data publicly available at the date of this prospectus. Financial data provided in this prospectus may be subsequently revised in accordance with the Republic's ongoing maintenance of its economic data, and that revised data will not be distributed by the Republic to any holder of the Republic's securities. As used in this prospectus, the term "N/A" identifies statistical or financial data that is not available.

All references in this prospectus to (a) the "Republic" or the "Philippines" are to the Republic of the Philippines, (b) the "Government" are to the national government of the Philippines, (c) the "administration" are to the current administration of President Gloria Macapagal-Arroyo and (d) "Bangko Sentral" are to Bangko Sentral ng Pilipinas, the central bank of the Philippines.

Government-owned corporations are corporations at least 51% of the capital stock of which is owned by the Government directly or indirectly through its instrumentalities.

The fiscal year of the Government commences on January 1 of each year and ends on December 31 of such year.

Unless otherwise indicated, all references in this prospectus to "Philippine Pesos", "pesos" or "P" are to the lawful national currency of the Philippines, those to "dollars", "US dollars" or "\$" are to the lawful currency of the United States of America and those to "SDR" are to Special Drawing Rights of the International Monetary Fund.

This prospectus contains conversions of some peso amounts into US dollars for the convenience of the reader. Unless otherwise specified, the conversions were made at the exchange rate as stated by the Bangko Sentral Reference Exchange Rate Bulletin published by the Treasury Department of Bangko Sentral on the relevant date. No representation is made that the peso amounts actually represent the US dollar amounts or could have been converted into US dollars at the rates indicated, at any particular rate, or at all.

Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

FORWARD LOOKING STATEMENTS

Some of the statements contained in this prospectus under "Republic of the Philippines" are forward looking. They include statements concerning, among others,

- the Republic's economic, business and political conditions and prospects;
- the Republic's financial stability;
- the depreciation or appreciation of the peso;
- changes in interest rates;
- governmental, statutory, regulatory or administrative initiatives; and
- adverse changes in economic conditions in the Republic.

Actual results may differ materially from those suggested by the forward-looking statements due to various factors. These factors include, but are not limited to:

- Adverse external factors, such as high international interest rates and recession or low growth in the Republic's trading partners. High international interest rates could increase the Republic's current account deficit and budgetary expenditures. Recession or low growth in the Republic's trading partners could lead to fewer exports from the Republic and, indirectly, lower growth in the Republic.

- Adverse domestic factors, such as a decline in foreign direct and portfolio investment, increases in domestic inflation, high domestic interest rates and exchange rate volatility. Each of these factors could lead to lower growth or lower international reserves.
- Other adverse factors, such as climatic or seismic events and political uncertainty.

DATA DISSEMINATION

The Republic is a subscriber to the International Monetary Fund's Special Data Dissemination Standard ("SDDS"), which is designed to improve the timeliness and quality of information of subscribing member countries. The SDDS requires subscribing member countries to provide schedules indicating, in advance, the date on which data will be released or the so-called "Advance Release Calendar". For the Philippines, precise dates or "no-later-than dates" for the release of data under the SDDS are disseminated three months in advance through the Advance Release Calendar, which is published on the Internet under the International Monetary Fund's Dissemination Standards Bulletin Board. Summary methodologies of all metadata to enhance transparency of statistical compilation are also provided on the Internet under the Dissemination Standards Bulletin Board. The Internet website for the Philippines' "Advance Release Calendar" and metadata is located at "<http://dsbb.imf.org/Applications/web/sddscountrycategorylist/?strcode=PHL>".

USE OF PROCEEDS

Unless otherwise specified in the applicable prospectus supplement, the net proceeds from sales of securities will be used for the general purposes of the Republic, including for budget support and to repay a portion of the Government's borrowings.

PROSPECTUS SUMMARY

Republic of the Philippines

General

The Philippine archipelago has over 7,000 islands with a total land area of approximately 300,000 square kilometers. The islands are grouped into three geographic regions: Luzon, the largest island, in the north, covering an area of 141,395 square kilometers; Visayas in the central region, covering an area of 55,606 square kilometers; and Mindanao in the south, covering an area of 101,999 square kilometers. Manila is the Republic's capital. The Republic's population is estimated at approximately 82.7 million.

Government and Politics

The Republic's current constitution was adopted by plebiscite in 1987. The ratification of the new Constitution in 1987 restored a presidential form of government consisting of three branches: executive, legislative and judiciary. Executive power is vested in the President, who is elected by direct popular vote and who may serve one term of six years. Legislative authority is vested in the Congress of the Philippines, which consists of the Senate and the House of Representatives. Judicial power is vested in the Supreme Court and in various lower courts.

In January 2001, Gloria Macapagal-Arroyo became President after the impeachment of former President Joseph Estrada. Criminal charges for perjury and plunder have been filed against Mr. Estrada with the Sandiganbayan, a special court with jurisdiction over criminal and civil cases involving graft and corruption. Hearings on these charges are ongoing. The next presidential election is scheduled to take place on May 10, 2004.

Over the past three decades, groups of communist rebels and Muslim separatists in the Republic have periodically fought with Government forces. The United States government has sent troops to the Philippines and pledged monetary aid to help the Republic in its campaign against these rebel groups and against terrorism generally.

Economy

The Philippines has a mixed economy in which the Government is directly engaged in certain economic activities through government-owned and controlled corporations ("GOCCs") and Government Financial Institutions ("GFIs"). The Government actively encourages domestic and foreign private investment. Beginning in 1991, further liberalization of trade and investment in the Philippines has been undertaken in tandem with the deregulation of the financial system, foreign exchange liberalization, tax reforms, acceleration of privatization, enhancement of competition in the provision and operation of public utilities, and deregulation of the oil and power industries.

In an attempt to promote macroeconomic stability and sustained growth of income and employment, the Arroyo Administration proposed its Medium-Term Philippine Development Plan for 2001–2004. The plan's major policy objectives are:

- protecting the vulnerable;
- establishing good governance and rule of law;
- modernizing agriculture and fisheries; and
- encouraging equitable macroeconomic growth based on free enterprise.

The principal sectors of the Philippine economy are services, industry and agriculture (including fishery and forestry). The services sector accounted for 46.3% of real gross domestic product ("GDP") in 2003, including the subsectors of trade (16.5% of real GDP), transportation, communications and storage (8.0% of real GDP) and private services (7.5% of real GDP). The industry sector accounted for 34.0% of real GDP in

2003, of which 24.0% of real GDP came from manufacturing. The agriculture sector accounted for 19.6% of real GDP in 2003.

In 2003, real gross national product (“GNP”) grew 5.5% and real GDP grew 4.5%, compared with real GNP growth of 4.5% and real GDP growth of 4.4% for 2002.

Foreign trade is important to the Philippine economy. In 2003, exports of goods and services were equal to 43.8% of the country’s GNP and imports were equal to 46.6% of GNP. The country’s trade strategy emphasizes export promotion. Total exports of goods were \$35.8 billion in 2003; the average annual goods export growth rate from 1999 to 2003 was 0.5%. Manufactured goods accounted for 87% of the Republic’s exports in 2003. Electronics, machinery and transport equipment and garments have historically been the Republic’s leading manufactured exports.

In 2003, the balance of payments recorded a surplus of \$111 million, compared to the \$663 million surplus in 2002. The current account recorded a surplus of \$3,347 million, lower than the \$4,383 million recorded in 2002. The continued surplus reflected robust net inflows throughout the year, particularly from overseas Filipino workers, which offset a decline in the trade balance. The income account recorded a surplus of \$5,215 million in 2003 compared to \$4,490 million in 2002, primarily on account of higher remittances of overseas Filipino workers. The trade-in-goods balance recorded a deficit of \$1,253 million after recording a surplus of \$407 million in 2002, mainly because of weak exports in the early part of 2003. The trade-in-services account recorded a deficit in 2003 of \$1,227 million, higher than the deficit of \$1,017 million recorded in 2002.

The capital and financial account posted a deficit of \$5,319 million in 2003. Both direct and portfolio investment accounts were weak in 2003 relative to 2002, weighed down by global uncertainty during the first half of 2003, domestic political uncertainty and corporate restructuring. Net inflows for direct investments declined to \$161 million in 2003 from \$1,733 million in 2002 due to the deferral of several approved investments as well as a divestment by a significant foreign investor. The portfolio investment account posted net outflows of \$706 million in 2003, a reversal of the net inflow of \$1,122 million in 2002. This development was due to the repayment of bonds and the purchase of local debt, which more than offset Government bond issuances. The other investment account recorded a net outflow of \$4,795 million, higher than the net outflow of \$4,480 million in 2002, mainly because of net repayment of loans.

As of December 31, 2003, Bangko Sentral–approved external debt amounted to \$57.4 billion, a 7.0% increase from the \$53.6 billion recorded as of December 31, 2002. The increase in debt resulted from net inflows of foreign exchange to finance the Government’s budgetary requirements and from foreign exchange revaluation losses.

As of December 31, 2003, Bangko Sentral–approved medium and long term external debt amounted to \$51.2 billion. Of this amount, 57.8% carried fixed rates, 39.5% had variable rates, and the remaining 2.7% was non-interest bearing. The average cost of fixed rate debt was 6.0%. For liabilities with floating interest rates, the margin over the applicable base rate averaged 1.7%. Approximately 54% of total Bangko Sentral–approved external debt (including short-term debt) was denominated in US dollars while 28% was denominated in Japanese yen. Multi-currency loans from the World Bank and the Asian Development Bank accounted for 9.2% of total Bangko Sentral–approved external debt.

The average interest rates for 91-day Treasury bills decreased from 9.9% in 2001 to 5.4% in 2002, following the decline in global interest rates, but subsequently increased to 6.0% in 2003.

On January 27, 2004, Moody’s Investors Service lowered its rating of the Republic’s long-term foreign currency bonds and notes from Ba1 to Ba2, and lowered its rating of the Republic’s long-term domestic currency obligations from Baa3 to Ba2. Moody’s retained its negative ratings outlook on the Republic’s long-term foreign and domestic currency obligations. Moody’s noted concerns over the Government’s fiscal imbalances and the country’s uncertain political dynamics, as well as relatively high public-sector debt ratios. On June 12, 2003, Fitch Ratings downgraded the Republic’s long-term foreign currency rating from BB+ to BB on the grounds that current and prospective fiscal trends amount to a material deterioration in sovereign creditworthiness, notwithstanding the recent upturn in tax receipts. Fitch also lowered the long-term local

currency rating from BBB- to BB+ and changed the outlook on both ratings from negative to stable. Fitch mentioned that the change in outlook reflected Fitch's judgement that broader macro-economic trends remained reasonable with respect to growth, inflation and the current account balance. On April 24, 2003, Standard & Poor's Ratings Service downgraded the Republic's long-term foreign currency rating from BB+ to BB, downgraded the Republic's local currency rating from BBB+ to BBB and revised the long-term ratings outlook from negative to stable. Standard & Poor's emphasized the Government's high fiscal deficit, increased interest payments due to its high debt burden, and heavy reliance on external capital for economic growth.

Summary Economic Information of the Republic of the Philippines

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(in billions, except as indicated) ⁽¹⁾				
GDP (at current market prices)	₱ 2,977	₱ 3,355	₱ 3,674	₱ 4,023	₱4,359
GDP (at constant 1985 prices)	918	973	1,002	1,046	1,093
GDP per capita (in US dollars at current market prices)	\$ 992	\$ 989	\$ 917	\$ 970	\$1,050
GDP growth rate (at constant 1985 prices)	3.4%	4.4%	3.0%	4.4%	4.5%
GNP growth rate (at constant 1985 prices)	3.7%	4.8%	3.5%	4.5%	5.5%
Inflation rate	6.7%	4.4%	6.1%	3.1%	3.1%
Unemployment rate	9.8%	11.2%	11.1%	11.4%	11.4%
Government revenues	₱ 479	₱ 515	₱ 564	₱ 567	₱ 627
Government expenditures	590	649	711	778	827
Government surplus (deficit)	(111.7)	(134.2)	(147.0)	(210.7)	(199.9)
Public sector borrowing requirement ⁽²⁾	(138.0)	(174.6)	(189.8)	(268.3)	N/A
Consolidated public sector financial position ⁽³⁾	(100.5)	(151.7)	(169.3)	(234.3)	N/A
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(in millions, except as indicated)				
Goods trade — exports	\$ 34,211	\$ 37,295	\$ 31,243	\$ 34,377	\$34,842
Goods trade — imports	(29,252)	(33,481)	(31,986)	(33,970)	(36,095)
Services trade — exports	4,803	3,972	3,148	3,055	2,970
Services trade — imports	(7,515)	(6,402)	(5,198)	(4,072)	(4,197)
Current transfer (net)	512	437	447	503	612
Current account (deficit)	7,219	6,258	1,323	4,383	3,347
As a percentage of GNP	9.0%	7.9%	1.7%	5.3%	3.9%
Total capital and financial account	\$ (2,333)	\$ (4,119)	\$ (1,080)	\$ (1,644)	\$ (5,319)
Overall balance of payments position	3,586	(513)	(192)	663	111
As a percentage of GNP	4.5%	(0.6)%	(0.3)%	0.8%	0.1
Gross international reserves ⁽⁴⁾	\$ 15,024	\$ 15,024	\$ 15,645	\$ 16,171	\$16,866
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(in billions, end of period) ⁽⁵⁾				
Direct domestic debt of the Republic ⁽⁶⁾	₱ 978.4	₱1,068.2	₱1,247.7	₱1,471.2	₱1,703.8
Direct external debt of the Republic ⁽⁶⁾	\$ 19.8	\$ 22.0	\$ 22.1	\$ 25.3	\$ 29.6
Public sector domestic debt ⁽⁷⁾	₱2,196.6	₱2,542.0	₱2,286.3	₱2,765.4	N/A
Public sector external debt ⁽⁸⁾	\$ 27.0	\$ 26.3	\$ 25.0	\$ 27.9	\$ 32.1

Sources: National Statistics Office; National Statistical Co-ordination Board; Bureau of the Treasury; Department of Finance, Bangko Sentral.

- (1) Amounts in pesos have been converted to US dollars using the average Bangko Sentral reference exchange rates for the applicable year.
- (2) Represents the aggregate deficit of the Government, the Central Bank–Board of Liquidation (the “CB-BOL”), the Oil Price Stabilization Fund and the 14 GOCCs whose debt comprises virtually all the debt incurred by GOCCs (the “14 monitored GOCCs”).
- (3) Comprises the aggregate deficit or surplus of the Government, the CB-BOL’s accounts, the 14 monitored GOCCs, the Social Security System, the Government Service Insurance System, Bangko Sentral, the Government financial institutions (“GFIs”) and the local government units.
- (4) Comprises the holdings by Bangko Sentral of gold reserves, foreign investments, foreign exchange and SDRs, including Bangko Sentral’s reserve position in IMF at period end. Figures [from 2001] have been revised to reflect the change in the treatment of offshore banking units from non-resident to resident entities.
- (5) Amounts in original currencies were converted to US dollars or pesos, as applicable, using the Bangko Sentral reference exchange rates at the end of each period.

- (6) Represents debt of the Government only, and does not include other public sector debt. Includes direct debt obligations of the Government, the proceeds of which are on-lent to GOCCs and other public sector entities, but excludes debt guaranteed by the Government and debt originally guaranteed by other public sector entities for which the guarantee has been assumed by the Government.
- (7) Represents debt of the Government, the 14 monitored GOCCs, the CB-BOL, Bangko Sentral and the GFIs.
- (8) Includes public sector debt whether or not guaranteed by the Government.

REPUBLIC OF THE PHILIPPINES

History, Land and People

History. Spain governed the Philippines as a colony from 1521 until 1898. On June 12, 1898, during the Spanish-American War, the Filipinos declared their independence. The United States claimed sovereignty over the Philippines under the 1898 Treaty of Paris, which ended the Spanish-American War, and governed the Philippines as a colony until 1935 when the Philippines became a self-governing commonwealth. On July 4, 1946, the Philippines became an independent republic.

Geography and General Information. The Philippine archipelago, located in Southeast Asia, comprises over 7,000 islands and a total land area of approximately 300,000 square kilometers. The Republic groups the islands into three geographic regions: Luzon in the north, covering an area of 141,395 square kilometers, Visayas in the center, covering an area of 55,606 square kilometers, and Mindanao in the south, covering an area of 101,999 square kilometers. The Republic is also divided into 17 administrative regions.

Forests cover approximately 50% of the Philippines, and 47% of the country is under agricultural cultivation. Agriculture, forestry and fishery employed 35.4% of the labor force in January 2004 and provided 5.0% of the Republic's export earnings (including exports of agriculture-based products) in 2003. The Republic is generally self-sufficient in staple cereals and is a major exporter of certain agricultural products. Manufactured goods comprise the most important category of the Republic's exports, accounting for 88.2% of the Republic's exports in 2003. Electronics, machinery and transport equipment and garments have historically been the Republic's leading manufactured exports.

The Republic's population was 76.5 million according to the 2000 census, and is estimated at 82.7 million in 2004. The Republic's capital, Manila, located in Luzon, has an estimated population of 1.7 million. The cities of Manila, Pasay, Kalookan, Quezon City, Mandaluyong, Las Piñas, Muntinlupa, Marikina, Pasig and Makati, together with seven surrounding municipalities, make up the National Capital Region or Metro Manila. Metro Manila, the most populous of the administrative regions, has an estimated population of 9.9 million people.

The majority of Filipinos have Malay ethnic origins. Filipino culture also includes strong Spanish, Chinese and American influences. Filipino is the national language, but English is the primary language used in business, government and education. The population speaks over 80 other dialects and languages, including Chinese and Spanish. Based on a 2000 survey, the Republic's literacy rate is 95%, ranking among the highest in Asia.

Christianity, primarily Roman Catholicism, is the predominant religion in the Philippines. A significant Muslim minority lives in Mindanao.

Government

Governmental Structure. Since 1935, the Republic has had three Constitutions. The country adopted the current Constitution by plebiscite in February 1987 after Ferdinand Marcos, who had ruled for 20 years, was ousted a year earlier in favor of Corazon Aquino following a people's uprising. The new Constitution restored a presidential form of government comprised of three branches: executive, legislative and judicial.

The principal features of each branch are as follows:

- Executive — A President, directly elected for a single, six-year term, exercises executive power. If the President dies, becomes permanently disabled or is removed from office or resigns, the Vice President acts as President for the remainder of the term. If the Vice President cannot serve, the President of the Senate or, if he cannot serve, the Speaker of the House of Representatives, acts as President until the election and qualification of a new President or Vice President. The person acting as President for any remaining term may, if elected, serve a six-year term as President.

In May 1998, the country elected Joseph Estrada as President and Gloria Macapagal-Arroyo as Vice President. In January 2001, Gloria Macapagal-Arroyo became President after the impeachment of

former President Joseph Estrada. Criminal charges for perjury and plunder have been filed against Mr. Estrada with the Sandiganbayan, a special court with jurisdiction over criminal and civil cases involving graft and corruption. Hearings on these charges are ongoing. The next presidential election is scheduled to take place on May 10, 2004.

- **Legislative** — The Congress, comprised of the Senate and the House of Representatives, exercises the country's legislative authority. The Constitution mandates a Senate of 24 members and a House of Representatives of not more than 250 members, all elected by popular vote. Senators serve for a term of six years and members of the House of Representatives for a term of three years. The country held elections for 13 Senators and all members of the House of Representatives in May 2001. The other 11 Senators were elected in May 1998.
- **Judicial** — The Supreme Court and any lower courts established by law exercise the country's judicial authority. The country's court system is a multi-tiered system of courts of general jurisdiction that includes the Supreme Court and the Court of Appeals. Below these, the Regional Trial Courts, Metropolitan Trial Courts, Municipal Trial Courts and Municipal Circuit Trial Courts constitute courts of original jurisdiction.

Special or administrative tribunals and quasi-courts also exercise judicial functions. Included in this category are constitutional commissions, the Sandiganbayan (the court that handles Government graft and corruption cases), the Court of Tax Appeals, the Shari'ah courts (which handle matters governed by Islamic law) and administrative agencies that handle specialized areas such as labor relations and securities regulation.

A Chief Justice and 14 Associate Justices constitute the Supreme Court, which supervises all lower courts and related personnel. The Supreme Court and the Court of Appeals may review decisions and rulings of lower courts and quasi-judicial tribunals. The President appoints each Supreme Court or Court of Appeals justice and lower court judge from at least three candidates nominated by the Judicial and Bar Council.

Administrative Organization. As of April 12, 2004, the Republic had 17 regions and 43,663 local Government units. Local Government units included 79 provinces, 115 cities, 1,500 municipalities (subdivisions of provinces) and 41,969 barangays (villages, which are the basic units of the political system). Highly urbanized cities function independently of any province, while other cities are subject to the administrative supervision of their home provinces.

The Government is mainly organized around the 20 departments and department-equivalent agencies of the executive branch, which implement the various programs and projects of the Government. The departments and department-equivalent agencies are grouped into sectors.

<u>Sector</u>	<u>Major Departments</u>
Social services	Health; Education, Culture and Sports; Labor and Employment; Social Welfare and Development
Economic services	Agriculture; Agrarian Reform; Energy; Environment and Natural Resources; Tourism, Trade and Industry; Public Works and Highways; Transportation and Communications; Science and Technology
Defense	National Defense
General public services	Foreign Affairs; Finance; Budget and Management; Interior and Local Government; Justice; National Economic and Development Authority; Office of the Press Secretary
Constitutional offices	Elections; Audit; Civil Service; Office of the Ombudsman; Human Rights
Autonomous Region of Muslim Mindanao	Not applicable
Cordillera Administrative Region	Not applicable

Government Corporations. The Government owns or controls a number of corporations that provide essential goods and services and work with the private sector to encourage economic growth and development. Originally restricted to basic public services and national monopolies, the number of Government corporations grew from 13 in the 1930s to 301 by 1984. In 1988, the Government launched a reform program to reduce the number of Government corporations, establishing the legal and policy framework for the country’s privatization program. See “Privatization — General.”

Currently, there are approximately 100 Government corporations, including subsidiaries. Each of these corporations is attached to a department for policy and program coordination.

The Government closely monitors 14 major non-financial Government corporations engaged in various major business activities by recording their individual contribution to the public sector deficit or surplus position and other financial indicators. These 14 corporations and their areas of activity are as follows:

<u>Government Corporation</u>	<u>Business Activity</u>
National Power Corporation	power generation and transmission
Philippine National Oil Company.....	holding company, power
National Electrification Administration	electric utilities
Metropolitan Waterworks and Sewerage System	water utilities
Local Water Utilities Administration	water utilities
Philippine Export Zone Authority	area development
National Food Authority	agriculture
National Irrigation Administration	agriculture
Philippine National Railways	transportation
Light Rail Transit Authority	transportation
Philippine Ports Authority	transportation
National Development Company	holding company
National Housing Authority	housing
Home Guaranty Corporation	housing insurance

As of December 31, 2002, these 14 corporations had aggregate domestic and external debt of ₱1,370 billion, which comprised virtually all the debt incurred by Government corporations.

To facilitate the implementation of better business practices, the Government intends to expand its monitoring of Government corporations, including to the National Home Financing Corporation, which provides mortgage financing for low-income housing.

The Government currently records the contribution to the public sector deficit or surplus, and other financial indicators, of three Governmental financial institutions that provide credit to enterprises in support of public policies, including two specialized Government banks — the Development Bank of the Philippines and the Land Bank of the Philippines. For a description of the Development Bank and the Land Bank, see “— The Philippine Financial System — Structure of the Financial System.” The third institution, the Trade and Investment Development Corporation of the Philippines (formerly Philippine Export and Foreign Loan Guarantee Corporation), guarantees foreign currency loans to exporters and contractors. As of December 31, 2002, the monitored Governmental financial institutions had aggregate domestic and external debt of ₱387.5 billion.

International Relations. The Philippines places a high priority on expanding global trade through a multilateral framework of principles and rules that respect individual countries’ policy objectives and levels of economic development. The country’s participation in various international organizations, such as the World Trade Organization, the International Monetary Fund (“IMF”), the International Bank for Reconstruction and Development (also known as the World Bank) and the Asian Development Bank, allows it to encourage liberalized trade and investment and to discuss global issues that will affect the Republic’s economy.

The following table shows the Republic's capital participation in, and loans obtained from, major international financial organizations.

MEMBERSHIP IN INTERNATIONAL FINANCIAL ORGANIZATIONS

<u>Name Of Organization</u>	<u>Date Of Admission</u>	<u>Subscribed</u>	<u>Capital Share</u>	<u>Capital Paid In</u>	<u>Loans Outstanding</u>
		(in millions, except for percentages)			
International Monetary Fund ⁽¹⁾	December 1945	SDR 879.9	—	SDR 879.9	SDR 820.7
International Bank for Reconstruction and Development ⁽²⁾	December 1945	\$ 825.6	0.4%	\$ 48.9	\$ 3,352.0
Asian Development Bank ⁽³⁾	December 1966	\$ 1,142.0	2.4%	\$ 80.0	\$ 2,551.5

(1) *As of November 30, 2003; Source: IMF.*

(2) *As of June 30, 2003; Source: World Bank Annual Report.*

(3) *As of December 31, 2002; Source: Asian Development Bank Annual Report.*

The Philippines also promotes its economic interests through membership in the following regional organizations:

- the Association of Southeast Asian Nations (“ASEAN”);
- ASEAN Free Trade Area;
- South East Asia, New Zealand and Australia Central Banks;
- South East Asian Central Banks;
- Asia-Pacific Economic Cooperation; and
- Executives Meeting of East Asia and Pacific Central Banks.

Relationship with the IMF. The IMF currently maintains a close dialogue with the Government, within the framework of a post-program monitoring arrangement (“PPM”). The PPM involves program assessments that are based on a regular review of economic developments and policies rather than the attainment of specific quantitative targets. This arrangement does not involve a financing component.

In December 2002, the IMF completed a 10-day review of the Philippine economy as part of the PPM. The IMF emphasized the need for the reduction of the fiscal deficit through increased revenues. In particular, the IMF recommended additional taxes on telecommunications, “sin” products and automobiles, and measures to improve the efficiency of tax collection. The IMF also recommended improvements in energy regulation, including a stronger and more independent Energy Regulatory Commission (“ERC”) and the expedited privatization of the National Power Corporation (“NPC”). See “Philippine Economy — Restructuring of the Electric Power Industry and the Privatization of National Power Corporation”.

In December 2003, the IMF completed its most recent 10-day review of the Philippine economy as part of its PPM. The IMF emphasized the need for the Republic to address the recent rise in Government debt, introduce revenue-enhancing measures, privatize the power sector and further strengthen the banking system. The Department of Finance has indicated that it intends to continue the PPM through 2004.

Recent Developments

Presidential Elections Scheduled for May 2004

The next presidential elections are scheduled to take place on May 10, 2004. On October 4, 2003, President Gloria Macapagal-Arroyo announced that she would seek election to a full six-year term as president of the Republic. President Arroyo formally filed her candidacy for president on January 6, 2004. President Arroyo's challengers include Senator Panfilo Lacson, movie actor Fernando Poe, Jr., and former Senator and Education Secretary Raul Roco.

Recent Changes in the Arroyo Administration

In November 2003, Secretary of Finance Jose Isidro Camacho resigned, citing personal reasons. On December 9, 2003, President Arroyo appointed Undersecretary Juanita Amatong as his replacement. Standard & Poor's issued a statement that the Camacho resignation in itself would not directly affect its sovereign credit ratings of the Republic.

In December 2003, Secretary of Foreign Affairs Blas P. Ople died of natural causes. He has been replaced by Delia Domingo Albert.

In December 2003, Edgardo del Fonso, president and chief executive officer of Power Sector Assets and Liabilities Management Corporation ("PSALM") resigned, citing health reasons. PSALM is the Government-owned corporation formed to privatize the assets and liabilities of National Power Corporation as part of the restructuring of the Philippine electric power industry. Mr. del Fonso has been replaced by Raphael Lotilla, chief operating officer of PSALM.

Also, several members of the Arroyo administration have resigned for reasons related to the upcoming Philippine elections. Secretary of Justice Simeon Datumanong resigned to run for Congress, and has been replaced by Merceditas Gutierrez. Secretary of Trade and Industry Manuel Roxas II resigned to run for the Senate, and has been replaced by Cesar Purisima, who previously served as chairman of a major Philippine auditing firm. Secretary of Tourism Richard Gordon also resigned to run for the Senate. Presidential Legal Counsel Avelino Cruz resigned to join President Arroyo's campaign team, and has been replaced by Joe Nathan Tenefrancia, who previously served as partner in a Philippine law firm. Presidential Management Staff Chief Silvestre Afable took an indefinite leave to join President Arroyo's campaign team, and has been replaced by deputy presidential spokesman Ricardo Saludo.

Funds Released from Marcos Accounts

In November 2003, the Supreme Court rejected several appeals, filed by the family of former President Ferdinand Marcos, of its July 2003 ruling that the Government may claim assets worth approximately \$684 million from the Marcos family's frozen Swiss bank accounts. In addition, the Supreme Court rejected an injunction of the US federal court in Hawaii against transfer of the funds. Approximately \$624 million has been transferred to the Philippine National Treasury. The Government has indicated that the funds received by the National Treasury will be set aside for compensation of victims of martial law and for agrarian reform, subject to Congressional approval.

Agreement to Establish ASEAN Economic Community

On October 8, 2003, the Philippines entered into the Bali Concord II agreement with the nine other countries of the Association of South-East Asian Nations ("ASEAN") to improve cooperation on security and social issues. The ASEAN member nations plan, pursuant to the agreement, to establish a free trade zone, the ASEAN Economic Community, by 2020.

Suspension of Bangko Sentral Governor

On August 14, 2003, the Philippine Court of Appeals issued an order suspending Bangko Sentral Governor Rafael Buenaventura and four other central bank officials for one year. The court, reversing an earlier finding of the Office of the Ombudsman (the office mandated under the Constitution of the Republic to investigate and prosecute all complaints of corruption against public officials and government employees), found Mr. Buenaventura "administratively liable of gross neglect of duty" for not performing an adequate investigation in connection with the closure of a commercial bank in 2000. Mr. Buenaventura and the other suspended officials have filed motions for reconsideration with the Court of Appeals. This motion for reconsideration remains pending. The suspensions have not yet taken effect, and the Supreme Court has dismissed criminal charges against Mr. Buenaventura and other BSP officials in connection with the 2000 bank closure. The Government does not expect the suspensions to affect the operations of Bangko Sentral.

Renewed Close Ties Between the Republic and the United States

In May 2003, President Arroyo visited the United States and received pledges of aid to finance anti-terrorism measures and economic development in Mindanao. During the visit, US President George W. Bush, in recognition of the Republic's support of the US-led war on terrorism, designated the Republic a "major non-NATO ally," which will allow the Republic increased access to US military research and supplies. Commitments made by the Bush administration during President Arroyo's visit include:

- \$30 million in counter-terrorism equipment and training;
- \$30 million in development assistance for Mindanao;
- \$25 million to train and equip an anti-terrorism combat engineering unit;
- US military support for Philippine military operations against the Abu Sayyaf guerrilla group;
- initiatives to help reduce transaction fees on remittances from overseas Filipinos; and
- trade preferences on certain Philippine agricultural products.

Internal Conflict with Rebel Groups. Over the past three decades, rebel groups in the Republic have periodically fought with Government forces. Armed conflict has continued between the Government and various rebel groups, mainly communist rebels and Muslim separatists.

Abu Sayyaf and Moro Islamic Liberation Front

Since March 2003, a series of bombings and raids in the southern region of Mindanao have killed almost 100 civilians. In response the Armed Forces of the Philippines ("AFP") launched sustained military offensives against the Moro Islamic Liberation Front ("MILF") and the Abu Sayyaf guerrilla group, both of which the Government holds responsible for the recent attacks. Leaders of the MILF, the largest Muslim separatist group in the Philippines, condemned the recent attacks and denied that they target civilians.

The United States has sent troops and military advisers to help the AFP defeat the Abu Sayyaf. In July 2002, the United States and the Republic entered into a sustained military cooperation agreement. Pursuant to the agreement, in February 2004, approximately 2,300 Filipino soldiers trained with approximately 4,600 U.S. soldiers as part of an annual training exercise to counter external threats and terrorism. According to the AFP, 5,000 Government soldiers are currently in pursuit of the Abu Sayyaf, and heavy fighting between the AFP and the Abu Sayyaf has continued in Mindanao. According to military officials, fewer than 500 Abu Sayyaf guerrillas remain in Mindanao.

In early 2003, fierce fighting resumed between the MILF and the AFP. Clashes, concentrated near a MILF stronghold in southern Mindanao known as the Buliok complex, forced an estimated 40,000 to 80,000 civilians to evacuate their homes. The Philippine National Police believe that the MILF has ties to the Indonesian group Jemaah Islamiah, which is widely believed to be responsible for the terrorist bomb attack in Bali, Indonesia in October 2002 and the hotel bombing in Jakarta, Indonesia in August 2003 (see "Terrorist Attacks in the United States and Related Events") and also to be linked to the al-Qaeda terrorist organization. MILF leaders have denied that the group is responsible for recent terrorist bombings in the Philippines and have denied any link to Jemaah Islamiah or al-Qaeda. The United States and the United Kingdom have issued advisories against travel to Mindanao, where rebel groups are most active.

Formal peace negotiations between the Government and the MILF have been suspended since 2001. However, on July 17, 2003, the Government and the MILF declared an indefinite bilateral cease-fire. The cease-fire remains in effect. To facilitate the peace process, the Government also suspended arrest warrants on several MILF leaders suspected of involvement in recent terrorist attacks in Mindanao. Peace negotiations between the Government and the MILF are scheduled to resume near the end of April 2004. On March 25, 2004 an advanced survey party of a Malaysian-led international monitoring team arrived in the southern Philippines to inspect MILF rebel camps before the upcoming peace negotiations. The United States has pledged diplomatic and financial support for the peace negotiations.

Communists and Affiliated Groups

In 2002, the United States and the European Union placed the Communist Party of the Philippines (the “CPP”) and the CPP’s armed affiliate, the New People’s Army (the “NPA”), on their lists of “foreign terrorist organizations.” As a result, the United States and European governments have frozen financial accounts linked to these groups and restricted travel of CPP and NPA members in the United States and the European Union. In response to several recent bombings and kidnappings attributed to the CPP, the AFP has initiated a military offensive to end the insurgency. In January 2004, guerillas of the NPA attacked a power plant outside of Manila and made assassination attempts on two politicians in Mindanao. However, from February 1 through February 14, 2004, four days of formal peace talks were held in Oslo, Norway, between the Arroyo administration and the National Democratic Front (“NDF”), a political organization closely aligned with the CPP and NPA, with the two sides agreeing to form a joint monitoring committee to oversee implementation of a comprehensive agreement. Another round of peace negotiations between the Government and the NDF was held from March 30, 2004 to April 3, 2004 and facilitated by the government of Norway. The next round of peace negotiations is scheduled to begin on April 26, 2004 in Oslo.

According to the AFP, the number of NPA guerillas has decreased from 9,200 in 2003 to 8,800 in 2004; however, according to the AFP, the NPA has continued to procure firearms and gain influence in the Philippine countryside.

Severe Acute Respiratory Syndrome

In early 2003, the outbreak of Severe Acute Respiratory Syndrome (“SARS”) seriously disrupted several Asian economies and impeded global travel and trade. The disease spread from China to more than 25 countries around the world; at least 8,400 people were infected and more than 900 of them died. Hong Kong, China, Taiwan, and Singapore were especially hard hit by the disease. There were 14 cases of SARS reported in the Philippines, two of them fatal.

The effect of SARS on the Republic’s economic growth was minimal in the first quarter of 2003; however, SARS adversely affected the Republic’s GDP and GNP growth in the second quarter of 2003 because of decreased tourism, transportation, and food manufactures caused by fears of the spread of the SARS virus. It is impossible to predict whether another outbreak might occur and what the long-term effect of SARS on Philippine public health or on the Philippine economy might be.

Recent Economic Indicators

The following table sets out the performance of certain of the Republic’s principal economic indicators for the specified periods.

	<u>2001</u>	<u>2002</u>	<u>2003</u>
GDP growth (%)	3.0 ⁽¹⁾	4.4 ⁽¹⁾	4.5
GNP growth (%)	3.5 ⁽¹⁾	4.5 ⁽¹⁾	5.5
Inflation rate (%)	6.1	3.1	3.1
Unemployment rate (%)	11.1 ⁽²⁾	11.4 ⁽²⁾	11.4 ⁽²⁾
91-day T-bill rate (%)	9.9	5.4	6.0
External position			
Balance of payments (\$ million)	(192)	663	(111)
Trade-in-goods balance/GNP (%)	(1.0)	0.5	(1.4)
Export growth (%)	(16.2)	10.1	1.4
Import growth (%)	(4.5)	6.2	6.3
External debt (\$ billion) ⁽³⁾⁽⁴⁾	51.9	53.6	57.4

	<u>2001</u>	<u>2002</u>	<u>2003</u>
International reserves			
Gross (\$ billion) ⁽⁴⁾	15.7	16.2	16.9
Net (\$ billion) ⁽⁴⁾	11.4	12.8	13.9
Months of retained imports ⁽⁴⁾⁽⁵⁾	4.6	4.7	4.7
Domestic credit growth (%)	0.9	4.8	4.8

(1) GDP and GNP growth figures for 2001 and 2002 have recently been revised. See “GDP and Major Financial Indicators — Periodic Revisions to Philippine National Accounts” in the accompanying prospectus.

(2) Average of the January, April, July and October applicable statistics based on the January, April, July and October labor force surveys for the relevant year.

(3) Includes Bangko Sentral obligations, public sector debt whether or not guaranteed by the Government and private sector debt registered and approved by Bangko Sentral. Does not include intercompany accounts of Philippine branches of foreign banks, private sector debt not registered with Bangko Sentral or private sector obligations under capital lease arrangements. Figures have been revised beginning 1990 to reflect the change in treatment of offshore banking units from non-resident to resident entities, pursuant to the fifth edition of the IMF Balance of Payments Manual (“BPM5”).

(4) As of December 31 of the relevant year.

(5) Number of months of average imports of merchandise goods and payments of services and income that can be financed by gross reserves.

Philippine Economy

Overview. Like many developing countries after World War II, the Philippines protected local industry from foreign competition through measures such as import tariffs and quotas, hoping to replace imported finished goods with domestically produced goods over time. Successive governments also intervened in the country’s economic affairs by imposing quantitative trade barriers, price controls and subsidies. Initially, the economy grew rapidly, with real GNP growing at an average rate of 5.8% per annum from 1970 to 1980, largely due to increased exports and Government investments. Infrastructure spending increased, and state ownership of commercial enterprises became prevalent. By the early 1980s, however, the country faced increasing budget deficits, growing levels of foreign and domestic borrowing, rising inflation, climbing interest rates, a depreciating peso, declining investment capital, and slowing economic growth or, at times, a contraction in GDP. The country’s unstable political situation during that period, highlighted by the assassination of opposition leader Benigno Aquino in 1983, exacerbated its economic problems.

The general optimism brought about by the peaceful removal of the unpopular Marcos administration in 1986 helped economic recovery. Real GNP grew by 3.6% in 1986, increasing to 7.2% in 1988 before decelerating to 0.5% in 1991. The deceleration was caused principally by underlying macroeconomic imbalances, compounded by supply bottlenecks, natural disasters, political instability, the global recession and the Persian Gulf crisis.

The government of President Corazon Aquino, who came to power in 1986, embarked on a stabilization program aimed at preventing an upsurge in inflation, controlling the fiscal deficit and improving the external current account position. The economy responded favorably to these measures, posting increases in real GNP, investments, private consumption and imports in 1992. The Aquino administration also recognized that the country’s economic difficulties in large part resulted from its protectionist policies. The Aquino administration, therefore, initiated reforms to open the economy to market forces and reduce the size and role of the government in the Philippine economy. The government of President Fidel Ramos, who assumed office in 1992, accelerated the reform efforts initiated by the Aquino administration.

Following a review of a number of the policies and programs initiated by previous administrations, the Estrada administration continued many of the financial policies and market-oriented reforms of the Aquino and Ramos administrations.

After the onset of the Asian economic crisis in mid-1997, the Philippines experienced economic turmoil characterized by currency depreciation, a decline in the performance of the banking sector, interest rate

volatility, a significant decline in share prices on the local stock market and a reduction of foreign currency reserves. These factors led to a slowdown in the Philippine economy in 1997 and 1998. In response, the government adopted a number of policies to address the effects of the Asian economic crisis by strengthening the country's economic fundamentals. In 1999 and 2000, a number of the Philippines' economic indicators showed more favorable results, though the pace of economic growth slowed again in 2001.

National Socio-Economic Summit of 2001. In December 2001, President Arroyo convened the National Socio-Economic Summit of 2001, which included more than 1,000 leaders of government, business, labor organizations and civil society. The policy initiatives of the summit included more than 30 specific action items in the following areas: peace, order and security; financial and fiscal reforms; agriculture; trade and industry; tourism-related industries; telecommunications and information technology; labor and employment; infrastructure; housing; and health and other social services. In a speech before Congress on January 14, 2003, President Arroyo called for Congress to accelerate passage of several of these measures.

The Government has implemented a number of the specific measures recommended by the National Socio-Economic Summit of 2001, including:

- Rationalizing the documentary stamp tax;
- Implementing the Special Purpose Vehicle Act (see “The Philippine Financial System — Structure of the Financial System”);
- Creating job corps programs and employment facilitation services;
- Encouraging micro-business enterprises;
- Increasing access to lower-priced medicines;
- Implementing anti-smuggling measures and more closely monitoring trading warehouses;
- Monitoring local government compliance with withholding tax legislation;
- Intensifying tourism campaigns and liberalizing civil aviation regulations;
- Streamlining housing permits and environmental compliance certificates;
- Expanding housing assistance programs for overseas Filipino workers;
- Expanding the National Health Insurance Program; and
- Passing legislation to combat domestic violence and trafficking of women.

A monitoring body composed of presidential advisers and assistants continues to provide quarterly status reports on the specific initiatives proposed pursuant to the National Socio-Economic Summit of 2001.

Arroyo Administration Economic Policy. In January 2003, President Arroyo announced that her administration would focus on the provisions of the Medium-Term Philippine Development Plan, originally set out in the National Socio-Economic Summit of 2001. In particular, President Arroyo urged Congress to quickly approve the remaining financial and fiscal reforms recommended in the National Socio-Economic Summit of 2001, as well as the absentee voting bill to allow overseas Filipinos to vote in national elections and the dual citizenship bill to grant dual citizenship to Filipinos abroad to encourage them to invest in the Philippines.

Privatization. The Government has privatized a number of Government corporations. The country's privatization program has broadened the ownership base of Government assets and developed the domestic capital markets.

Before 2001, the Committee on Privatization, an executive office under the office of the President chaired by the Secretary of Finance, oversaw the Government's privatization program. The Committee was responsible for formulating privatization policies and guidelines, identifying disposable assets, monitoring progress and approving the price for and the buyers of the assets. The marketing of assets was handled by disposition entities, including the Asset Privatization Trust, the Presidential Commission on Good Govern-

ment and the National Development Company. The division of responsibilities between the Committee on Privatization and the disposition entities served as a check and balance mechanism and enhanced transparency.

The terms of the Committee on Privatization and the Asset Privatization Trust expired on December 31, 2000. Since January 1, 2001, the Privatization Council has been responsible for the privatization of the remaining Government corporations scheduled to be privatized. The Privatization Council, a policy-making body, is chaired by the Secretary of Finance and includes representatives from the Department of Tourism, the Department of Trade and Industry, the Department of Budget and Management, the Department of Justice, the National Economic and Development Authority, the National Treasury and the Presidential Commission on Good Government. Along with the Privatization Council, there are two new disposition entities, the Land Bank of the Philippines, which is responsible for the disposition of the financial assets previously held by the Asset Privatization Trust, and the Privatization and Management Office, which is responsible for the disposition of physical assets. All disposition entities must submit their privatization plans to the Privatization Council for its review and approval and file a report containing the results of each privatization transaction.

The following table summarizes the Government's principal privatizations to date:

	<u>Year of Sale</u>	<u>Government Ownership After Sale</u>	<u>Gross Privatization Proceeds⁽¹⁾</u>
		(in billions)	
International Corporate Bank	1987; 1993	0.0%	₱ 2.2
Union Bank of the Philippines	1988; 1991; 1992	13.0	1.3
Philippine National Bank	1989; 1992; 1995; 1996; 2000	16.0 ⁽²⁾	6.5
Philippine Plaza Holdings	1991	0.0	1.5
Manila Electric Company	1991; 1994; 1997	30.0 ⁽³⁾	16.3
Philippine Airlines	1992	1.0 ⁽²⁾	10.7
Petron Corporation	1993; 1994	40.0	25.0
National Steel Corporation	1994; 1997	12.5	17.1
Paper Industries Corporation of the Philippines	1994	8.0	2.4
Philippine Shipyard and Engineering Corporation	1994	9.0	2.1
Fort Bonifacio Development Corporation	1995	45.0	39.2
Metropolitan Waterworks and Sewerage System	1997	— ⁽⁴⁾	— ⁽⁴⁾
Philippine Associated Smelting and Refining Corp.	1999	4.3	3.3
Philippine Phosphate Fertilizer Corporation	2000	0.0	3.1

Source: Privatization Council.

- (1) Net remittances to the Government upon the privatization of its assets are, in certain circumstances, less than the gross proceeds from the sale of such assets, based on agreements between the Government and the privatized entities.
- (2) Government's ownership was diluted in 2001 by a pre-emptive rights offering.
- (3) Government ownership includes ownership by agencies and Government financial institutions.
- (4) The privatization of Metropolitan Waterworks and Sewerage System involved awarding two 25-year concessions to rehabilitate, expand and operate the system. Over the term of the concessions, the concessionaires are required to make improvements in water services, sewerage services, and interconnection facilities, and to pay concession fees to the Metropolitan Waterworks and Sewerage System. The estimated cost of the required improvements is \$7.0 billion, which is expected to be incurred over the 25-year concession period.

As of May 31, 2002, 26 Government corporations, 144 assets handled by the Privatization and Management Office and certain personal property assets held by the Presidential Commission on Good Government were scheduled for privatization. With the initial privatization phase approximately 80% complete, the Government plans to focus on selling its remaining shares in Manila Electric Company ("Meralco"), fully privatizing the Philippine National Bank, privatizing the Philippine National Construction Corporation, disposing of certain assets held by the Presidential Commission on Good Government and selling

the International School of Manila property. The current economic slowdown, however, may, in the near term, affect investors' propensity to invest, or the prices that they are willing to pay for the Government's assets, which would thereby reduce the proceeds received from any privatized assets. In the medium term, the Government plans to privatize the National Power Corporation, PNO Energy Development Corporation, the International Broadcasting Corporation, Food Terminal Inc. and the Philippine Postal Corp. In the long term, the Government intends to establish public-private partnerships to provide social services, especially in the health, education and pension sectors, and also intends to prioritize selected Government corporations. The Government has also encouraged "build-operate-transfer" arrangements and other initiatives to enable the private sector to meet more of the infrastructure needs, especially in the power, water, transportation and telecommunications sectors.

In 2003, remittances to the National Treasury from privatizations amounted to ₱570 million.

Restructuring of the Electric Power Industry and the Privatization of National Power Corporation. On June 8, 2001, the Electric Power Industry Reform Act of 2001 (the "EPIRA" or the "Act") was signed into law by President Gloria Macapagal-Arroyo. The Act became effective on June 26, 2001. The EPIRA provides a legal framework for the restructuring of the electric power industry and for the privatization of NPC. On February 27, 2002, pursuant to the EPIRA, the Joint Congressional Power Commission (the "JCPC") approved the implementing rules and regulations (the "IRRs") which now govern the restructuring of the electric power industry and the privatization of NPC. The privatization of NPC will occur following (i) the restructuring of the electric power industry's various sectors, (ii) the creation of a new regulatory framework for the electric power industry, (iii) the establishment of certain transition mechanisms to minimize economic dislocation, and (iv) the establishment of various open market devices to promote free and fair competition.

The EPIRA mandates that the power industry be restructured to comprise four sectors — generation, transmission, distribution and supply. Under the EPIRA, the Energy Regulatory Commission ("ERC") is the primary governmental agency responsible for overseeing the power industry, and the Department of Energy ("DOE") and JCPC perform supervisory roles. To allow the industry to adjust to a market-oriented setting, and to help mitigate adverse economic consequences of the restructuring, the EPIRA contains transition mechanisms dealing with, among other issues, supply contracts, independent power producer ("IPP") contracts, and "stranded costs" that NPC will not be able to dispose of in the privatization.

To reorganize NPC's assets and liabilities, two disposition entities have been created pursuant to the EPIRA:

- the Power Sector Assets and Liabilities Management Corporation ("PSALM"), which will take ownership of all of NPC's existing generation assets, liabilities, real estate, and other disposable assets, as well as certain IPP contracts; and
- the National Transmission Corporation ("Transco"), an entity wholly owned by PSALM, which will assume NPC's electricity transmission assets.

NPC's generation assets will be privatized by PSALM through an open and transparent public bidding process, which began in 2003 with respect to certain generation assets. PSALM will also coordinate the privatization of NPC's transmission assets through concession contracts, while NPC's sub-transmission assets will be operated and maintained by Transco until their sale to qualified distribution utilities. NPC will continue to operate the generation assets after they are transferred to PSALM, pursuant to an operations and maintenance agreement, until they are sold. NPC is still negotiating the operations and maintenance agreement with PSALM.

Issues Relating to the Purchased Power Adjustment and the Universal Charge. The Purchased Power Cost Adjustment ("PPCA"), an automatic cost adjustment mechanism, historically allowed NPC to pass on increased costs associated with its US dollar obligations under its contracts with IPPs. President Arroyo, by presidential directive, reduced the current average PPCA charge from ₱1.25 per kWh to ₱0.40 per kWh, effective May 8, 2002. The ERC, through an order issued on September 6, 2002, affirmed the presidential directive. Since late September 2002, NPC has deferred recovery of the PPCA charge, in connection with the unbundling of its transmission and generation rates. In addition, the PPCA has been replaced by the

Generation Rate Adjustment Mechanism (“GRAM”). In May 2003, the ERC set revised generation rates under the GRAM which were, overall, lower than the rates NPC had requested. In response to a second filing by NPC under the GRAM, in January 2004 the ERC set revised rates under the GRAM that were, on average, lower than the rates previously approved by the ERC. NPC estimates that implementation of the revised rates as approved by the ERC, compared to implementation of the rate NPC requested, reduced NPC’s revenues from energy sales by ₱720 million for the year ending December 31, 2003. NPC expects that the current rates under the GRAM, if not subsequently revised by the ERC, will continue to impair NPC’s future operating revenues.

In January 2004, Transco signed a deed of conditional sale for power lines with a total length of 12.2 circuit-kilometers and price of ₱12.6 million. The sale will be completed once the ERC approves the transaction.

Under the EPIRA, a “Universal Charge” is to replace the existing rate adjustments. The Universal Charge, which will not be limited to NPC’s customers, is intended to pay for NPC’s remaining debt and contract obligations that will not be liquidated by proceeds from NPC’s privatization. While the Arroyo administration has announced that the Universal Charge needs to be implemented as a matter of policy, various members of Congress and of the public continue to oppose the imposition of any Universal Charge. If the Universal Charge is significantly lower than the expected ₱0.40 per kWh, or if it is eliminated, NPC’s financial condition will continue to deteriorate and NPC will need to obtain additional financing to continue operations.

Other Rate Reductions Affecting NPC’s Revenues. In addition to the reduction of the PPCA from ₱1.25 per kWh to ₱0.40 per kWh mandated by the President in May 2002 and affirmed by the ERC in September 2002, the following reductions in NPC’s basic electricity rates have been imposed:

- *The EPIRA.* The EPIRA mandated an overall rate decrease of ₱0.30 per kWh in June 2001.
- *ERC Orders.* In late September 2002, NPC’s transmission and generation rates were unbundled. In connection with this unbundling, the ERC further lowered NPC’s generation rates in September 2002. In April 2003, NPC filed an application with the ERC to recover fuel and purchased power costs under the GRAM. However, the generation rates the ERC set in May 2003 and January 2004, in response to NPC’s applications, are lower than the rates NPC had requested.

For the year ended December 31, 2002, NPC received approximately ₱3.1 billion in cash advances from the Government to finance its debt service requirements. In 2003, NPC obtained approximately \$1.9 billion from the Government to cover its total cash flow deficit for 2003. NPC has not yet repaid these amounts to the Government. In addition, NPC anticipates that it will need approximately \$1.8 billion in additional external financing to cover its cash flow deficit for 2004, of which \$1.5 billion is expected to be provided by bond issuances and the Government and \$300 million through export credits under bilateral assistance arrangements. The remainder of NPC’s capital expenditures will be financed through internal cash generation and continued privatization of NPC assets. There is no assurance that NPC will be able to raise the funds needed to meet all of its obligations. To the extent that NPC cannot raise such funds, it will be necessary for the Government to provide NPC with the sufficient capital to meet its obligations. The Government will have to borrow such capital or use its international reserves for these purposes.

GDP and Major Financial Indicators

Gross Domestic Product. Gross domestic product, or GDP, measures the market value of all final goods and services produced within a country during a given period and is indicative of whether the country’s productive output rises or falls over time. By comparison, gross national product, or GNP, measures the market value of all final goods and services produced by a country’s citizens during a given period, whether or not the production occurred within the country.

Economists show GDP and GNP in both current and constant market prices. GDP and GNP at current market prices values a country’s output using the actual prices of each year, whereas GDP and GNP at constant market prices (also referred to as “real” GDP and GNP) values output using the prices from a base

year, thereby eliminating the distorting effects of inflation. Growth figures for GDP and GNP in this prospectus are year-on-year comparisons of real GDP and real GNP, respectively.

Recent Results. In 2003, GDP grew by 4.5%, compared to growth of 4.4% in 2002 and GNP grew by 5.5%, compared to growth of 4.4% in 2002. Robust consumer spending, low interest rates, and modest inflation contributed to the growth.

The services sector grew 5.9% in 2003, compared to 5.4% in 2002. The fastest growing subsector was transportation, communication and storage, which grew 8.6% in 2003, slightly slower than 8.9% in 2002. The finance subsector grew 6.9% in 2003, a substantial acceleration from the 3.4% growth in 2002, due to robust income growth of banks, insurance firms, and other financial firms. The trade subsector grew 5.8% in 2003, the same growth rate as in 2002. The dwellings and real estate subsector grew 3.8% in 2003, compared to 1.7% in 2002. The private services subsector slowed to 5.3% in 2003 from 5.5% in 2002. Growth in the government services subsector declined to 3.8% in 2003 from 4.7% in 2002.

The industry sector recorded 3.0% growth in 2003, slower than the 3.7% growth in 2002. The manufacturing subsector grew 4.2% in 2003, compared to 3.5% in 2002. Growth in the mining and quarrying subsector slowed to 17.5% in 2003 from 51.0% in 2002, and growth in the electricity, gas and water subsector slowed to 2.9% in 2003 from 4.3% in 2002. The construction subsector continued to decline, contracting 5.9% in 2003 after a contraction of 3.3% in 2002.

The agriculture, forestry and fishery sector grew 3.9% in 2003, faster than the 3.3% growth recorded in 2002. This growth was due to higher production of major crops, particularly sugarcane and corn, and growth in fishery and forestry production. Growth in the agriculture and fishery subsector was 3.6% in 2003, slightly less than the 3.7% growth in 2002, but the forestry sector expanded by 193.3% in 2003 following a 66.4% decline in 2002.

Net factor income from abroad, which is a component of GNP (but not included in GDP), grew 18.9% in 2003 compared to growth of 5.0% in 2002. Compensation inflow increased by 6.9% as a result of the decline in the value of the peso relative to the US dollar, and despite a decrease in the number of overseas Filipino workers.

The following tables present the GDP of the Philippines by major sector at both current and constant market prices.

**GROSS DOMESTIC PRODUCT BY MAJOR SECTORS
(AT CURRENT MARKET PRICES)**

	1999	2000 ⁽¹⁾	2001 ⁽¹⁾	2002 ⁽¹⁾	2003	Percentage of GDP	
						1999	2003
	(in billions, except as indicated)						
Agriculture, fishery and forestry ..	<u>₱ 510.5</u>	<u>₱ 528.9</u>	<u>₱ 548.7</u>	<u>₱ 592.1</u>	<u>₱ 632.0</u>	<u>17.2%</u>	<u>14.4%</u>
Industry sector							
Mining and quarrying	18.0	21.8	21.7	33.5	43.6	0.6	1.0
Manufacturing	644.0	745.9	831.6	915.2	998.2	21.7	22.8
Construction	162.9	217.2	222.1	235.4	235.4	5.5	5.4
Electricity, gas and water	<u>86.1</u>	<u>97.5</u>	<u>116.3</u>	<u>124.1</u>	<u>116.3</u>	<u>2.9</u>	<u>2.6</u>
Total	911.1	1,082.4	1,191.7	1,308.2	1,409.6	30.6	32.3
Service sector							
Transportation, communications and storage	159.3	199.0	247.6	276.9	313.2	5.4	7.1
Trade	419.3	473.0	517.6	556.3	603.3	14.1	13.8
Finance	141.6	149.1	160.1	170.5	187.8	4.8	4.3
Ownership of dwellings and real estate	208.9	220.9	236.7	252.9	269.6	7.0	6.1
Private services	335.4	381.6	433.7	484.9	539.2	11.3	12.3
Government services	<u>290.8</u>	<u>319.8</u>	<u>337.7</u>	<u>380.9</u>	<u>404.4</u>	<u>9.8</u>	<u>9.2</u>
Total	<u>1,555.3</u>	<u>1,743.4</u>	<u>1,933.2</u>	<u>2,122.3</u>	<u>2,317.5</u>	<u>52.3</u>	<u>53.1</u>
Total GDP	<u>₱2,976.9</u>	<u>₱3,354.8</u>	<u>₱3,673.7</u>	<u>₱4,022.7</u>	<u>4,359.0</u>	<u>100.0%</u>	<u>100.0%</u>
Total GNP	₱3,136.2	₱3,566.1	₱3,918.7	₱4,290.2	₱4,685.4		
Total GDP (in billions of US dollars) ⁽²⁾	\$ 76.2	\$ 76.0	\$ 72.0	\$ 78.0	\$ 86.4		
GDP per capita (in US dollars) ⁽²⁾	\$ 992.0	\$ 988.7	\$ 916.8	\$ 969.5	\$ 1,050.0		

Source: National Statistical Coordination Board.

(1) The GDP figures for 2000, 2001 and 2002 have recently been revised. See “— Periodic Revisions to Philippine National Accounts”.

(2) Calculated using the average exchange rate for the period indicated. See “— Monetary System — Foreign Exchange System.”

**GROSS DOMESTIC PRODUCT BY MAJOR SECTORS
(AT CONSTANT MARKET PRICES⁽¹⁾)**

	<u>1999</u>	<u>2000⁽²⁾</u>	<u>2001⁽²⁾</u>	<u>2002⁽²⁾</u>	<u>2003</u>	<u>Percentage of GDP</u>	
						<u>1999</u>	<u>2003</u>
	(in billions, except as indicated)						
Agriculture, fishery and forestry	<u>₱ 184.5</u>	<u>₱ 190.6</u>	<u>₱ 199.6</u>	<u>₱ 206.2</u>	<u>₱ 214.3</u>	<u>20.1%</u>	<u>19.6%</u>
Industry sector							
Mining and quarrying	9.7	10.7	10.1	15.3	18.0	1.1	1.6
Manufacturing	224.7	237.3	244.1	252.6	263.2	29.5	24.0
Construction	51.0	51.7	61.2	59.2	55.7	5.6	5.0
Electricity, gas and water	<u>31.3</u>	<u>32.6</u>	<u>32.8</u>	<u>34.2</u>	<u>35.2</u>	<u>3.4</u>	<u>3.2</u>
Total	316.7	332.3	348.2	361.2	372.0	39.5	34.0
Service sector							
Transportation, communications and storage	61.7	68.2	74.2	80.8	87.7	6.7	8.0
Trade	145.4	152.9	161.5	170.8	180.8	15.8	16.5
Finance	46.3	46.7	47.3	48.9	52.3	5.0	4.7
Ownership of dwellings and real estate	48.4	48.3	48.1	48.9	50.8	5.3	4.6
Private services	67.6	70.9	74.0	78.0	82.2	7.4	7.5
Government services	<u>47.7</u>	<u>48.5</u>	<u>48.9</u>	<u>51.2</u>	<u>53.1</u>	<u>5.2</u>	<u>4.8</u>
Total	<u>417.0</u>	<u>435.5</u>	<u>454.0</u>	<u>478.7</u>	<u>500.9</u>	<u>45.4</u>	<u>46.3</u>
Total GDP	<u>₱ 918.2</u>	<u>₱ 958.4</u>	<u>₱ 1,001.7</u>	<u>₱ 1,046.1</u>	<u>₱ 1,093.3</u>	<u>100.0%</u>	<u>100.0%</u>
Total GNP	₱ 969.3	₱ 1,016.1	₱ 1,073.1	₱ 1,121.0	₱ 1,182.4		
Yearly growth in GDP	3.4%	4.4%	3.0%	4.4%	4.5%		
Yearly growth in GNP	3.7%	4.8%	3.5%	4.5%	5.5%		

Source: Economic and Social Statistics Office; National Statistical Coordination Board.

(1) Based on constant 1985 prices.

(2) The GDP figures for 2000, 2001 and 2002 have recently been revised. See “— Periodic Revisions to Philippine National Accounts”.

The following table shows the percentage distribution of the country's GDP at constant 1985 prices.

**DISTRIBUTION OF GROSS DOMESTIC PRODUCT BY EXPENDITURE
(AT CONSTANT MARKET PRICES⁽¹⁾)**

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Personal consumption	79.1%	78.5%	77.8%	77.5%	77.9%
Government consumption	8.2	8.3	7.5	7.4	6.9
Capital formation					
Fixed capital	21.8	21.5	23.1	22.6	21.8
Changes in stocks	<u>(0.8)</u>	<u>(0.3)</u>	<u>1.3</u>	<u>(0.1)</u>	<u>0.1</u>
Total capital formation	21.0	21.2	24.4	22.5	21.9
Exports of goods and services	41.5	46.8	43.0	42.6	42.1
Imports of goods and services	(51.3)	(51.1)	(50.7)	(50.9)	(53.7)
Statistical discrepancy	<u>1.5</u>	<u>(3.7)</u>	<u>(1.9)</u>	<u>0.9</u>	<u>4.2</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: Economic and Social Statistics Office; National Statistical Coordination Board.

(1) Based on constant 1985 prices.

Periodic Revisions to Philippine National Accounts. The National Statistical Coordination Board (“NSCB”) releases quarterly data on the Republic’s national accounts, which include GDP and GNP. Under NSCB policy, GDP and GNP data for a particular quarter are revised the following quarter, and thereafter in May of each year. Quarterly GDP and GNP estimates are considered “final” after three years. However, NSCB may still revise the “final” estimates whenever NSCB undertakes an overall revision of the national accounts. The most recent overall revision was completed in 1990, and the next overall revision is scheduled for 2004.

Revisions in the Republic’s national accounts are normally due to the availability of new or more complete data, receipt of revised data from original sources, and inclusion or exclusion of emerging or closed industries. During the years 1997–2002, the averages of the revisions to the NSCB’s quarterly growth rates for GDP and GNP have been –0.03% and –0.18%, respectively. The NSCB has traditionally followed the 1968 United Nations System of National Accounts (“UNSNA”), and it is currently in the process of incorporating certain recommendations of the 1993 UNSNA.

In May 2003, the NSCB revised GDP and GNP figures for 2000, 2001, and 2002. The May 2003 revisions reflected the ongoing implementation of the 1993 UNSNA, as well as revisions in the following source data:

- balance of payments and merchandise imports;
- forestry production;
- agricultural production;
- mineral production;
- construction; and
- deployment of overseas foreign workers.

The May 2003 revisions resulted in a slight decrease in the growth rates previously reported for the years 2001 and 2002. However, because the Republic’s national accounts for the year 1999 and earlier have not been recently revised, the growth rates for 2000 were not revised in May 2003. The growth rates for 2000 may not, therefore, be comparable in all respects to those for 2001 and 2002.

To ensure the accuracy of the GDP and GNP growth rates for 2000 and earlier, the NSCB plans to recalculate the national accounts for years prior to 2000 in a manner consistent with the May 2003 revisions to the national accounts of 2000, 2001, and 2002. The process of revising the data for earlier years will be carried out in conjunction with the overall revision in the national accounts scheduled for 2004. Therefore, GDP and GNP estimates that are currently considered “final” may be subject to further material change.

Principal Sectors of the Economy

Agriculture, Fishery and Forestry

Agriculture. The country’s principal agricultural products include cereals, such as rice and corn, both of which are cultivated primarily for domestic use, and crops, such as coconuts, sugar cane and bananas, produced for both the domestic market and export. The Philippines’ diverse agricultural system contains many coconut plantations farmed by agricultural tenants and workers, sugar haciendas farmed either under labor administration or by tenants, and large “agro-business” plantations devoted mainly to non-traditional export crops such as bananas and pineapples. Rice, corn and coconuts each account for approximately one-quarter of the country’s cultivated area. The country occasionally needs to import rice and corn.

Fishery. The Philippines’ fishing industry contributes significantly to the country’s foreign exchange earnings. Pollution of coastal waters as a result of population growth, mining activities and wasteful fishing methods have damaged the marine and inland resources in some areas in recent years, leading to decreases in production.

Forestry. The country's forests, one of the Philippines' main natural resources, contain a large quantity of hardwood trees. Over the years population growth, shifting cultivation, illegal logging and inadequate reforestation depleted the forests, leading to a Government-imposed total ban on logging activity in virgin forests and the subsequent continuing decline of the forestry subsector.

Recent Results. The agriculture, fishery and forestry sector grew by 3.6% in 2003 compared to growth of 3.3% in 2002 at constant market prices. The agriculture subsector grew by 2.7% in 2003 compared to growth of 3.0% in 2002, with the adverse effects of a typhoon in the third quarter of 2003 offsetting increased yields for corn. The fishery subsector grew 7.4% in 2003 compared to growth of 6.4% in 2002 at constant market prices, mainly due to improved aquaculture technologies as well as higher output from commercial and municipal fisheries. The forestry subsector grew by 196.4% in 2003, following a 66.4% contraction in 2002, due to renewed harvests from a major paper plantation.

Industry Sector

The industry sector comprises, in order of importance: manufacturing; construction; electricity, gas and water; and mining and quarrying. The sector contributed approximately 39.5% of GDP in 1999 and 34.0% in 2003, at constant market prices. The sector grew by 3.0% in 2003 compared to 3.7% in 2002 with accelerated growth in manufacturing offset by a contraction in the construction sector and decelerated growth in the mining and quarrying and electricity, gas and water subsectors.

Manufacturing. The country's manufacturing subsector comprises three major industry groups:

- consumer goods, including the food, footwear and garment industries;
- intermediate goods, including the petroleum, chemical and chemical product industries; and
- capital goods, including the electrical machinery and electronics industries.

The following table presents, at constant market prices, the gross value added, which equals the value of sales minus the cost of raw material and service inputs, for the manufacturing sector by industry or industry group.

**GROSS VALUE ADDED IN MANUFACTURING BY INDUSTRY GROUP
(AT CONSTANT MARKET PRICES⁽¹⁾)**

<u>Industry/Industry Group</u>	<u>1998</u>	<u>1999</u>	<u>2000</u> (in millions)	<u>2001</u>	<u>2002</u>
Food manufactures	₱ 78,744	₱ 83,049	₱ 84,590	₱ 88,227	₱ 94,623
Beverage industries	9,003	8,896	9,175	8,820	8,740
Tobacco manufactures	5,538	5,681	5,886	6,133	6,639
Textile manufactures	5,085	4,660	4,128	3,778	4,201
Footwear/wearing apparel	12,699	10,801	12,327	12,801	13,688
Wood and cork products	2,769	2,451	2,220	2,060	2,016
Furniture and fixtures	2,881	2,852	3,172	3,232	2,994
Paper and paper products	2,132	2,033	2,627	2,258	2,040
Publishing and printing	3,093	3,055	2,964	2,967	3,154
Leather and leather products	224	222	229	254	266
Rubber products	1,849	2,065	2,115	1,743	1,652
Chemical and chemical products	14,169	13,868	13,523	14,648	14,295
Petroleum and coal products	37,472	37,137	39,896	38,929	34,131
Non-metallic mineral products	6,614	5,834	5,625	5,215	5,721
Basic metal industries	4,745	4,206	3,600	3,851	3,803
Metal industries	4,231	4,272	4,645	5,257	6,268
Machinery (except electrical)	3,540	3,555	4,219	5,326	4,346
Electrical machinery	19,284	22,277	27,678	29,009	34,499
Transport equipment	1,810	1,984	2,125	2,325	2,421
Miscellaneous manufactures	5,269	5,769	6,527	7,249	7,056
Gross value added in manufacturing	<u>₱ 221,151</u>	<u>₱ 224,667</u>	<u>₱ 237,271</u>	<u>₱ 244,082</u>	<u>₱ 252,553</u>

Source: Economic and Social Statistics Office; National Statistical Coordination Board.

(1) Based on constant 1985 prices.

From 1998 through the first quarter of 1999, weak demand and high operating costs forced a number of businesses to close or cut back operations. Import-dependent industries, including transport equipment and rubber, chemical, petroleum and coal products, experienced declining output. Export-related industries, however, including furniture and fixtures, electrical machinery and leather products, grew, as did food manufactures.

In 1999, the manufacturing subsector reversed its 1.1% contraction in 1998 to a growth of 1.6%. The sector recorded positive growth for the last three quarters of 1999. The major gainers for the sector included electrical machinery, which registered a growth of 15.5%, and transport equipment, which registered a growth of 9.6%. The decliners in the subsector were led by footwear/ wearing apparel, which recorded a 14.9% contraction.

The manufacturing subsector grew by only 2.9% in 2001, compared to 5.6% growth in 2000. This reduction was caused primarily by lower growth in the manufacture of apparel, furniture and electrical machinery and by contraction in the manufacture of beverages, paper products, rubber products, petroleum and coal products, and non-metallic mineral products. Gains in growth in the manufacture of food, tobacco, leather products, nonelectrical machinery, chemical products and basic metal products contributed positively

to the manufacturing subsector, although they were unable to fully offset the declines in the subsector as a whole.

In 2002, the annual growth rate of the manufacturing subsector was 3.5%, up from 2.9% for 2001. The growth in manufacturing was due mainly to growth in the manufacture of electrical machinery, leather products and footwear and apparel. Food processing, leather products, footwear and apparel, metal industries and electrical machinery showed improved results while results remained negative in chemical products, paper products, rubber products, petroleum and coal products and non-electrical machinery products.

In 2003, the manufacturing sector grew 4.2% from 2002 with output of ₱263.2 at constant prices. The growth in manufacturing was due to continued growth in food manufactures, as well as to the recovery of basic metal industries, petroleum and coal products, chemical products and non-electrical machinery, all four of which declined in 2002 and expanded in 2003. The annual growth rate increased to 14.3% for food manufactures (up from 7.2% in 2002), to 115% for basic metal industries (up from negative 1.2% in 2002), to 7.4% for petroleum and coal products (up from negative 12.3% in 2002), by 9.6% for chemical and chemical products (up from negative 2.4% in 2002), and to 20.6% for machinery other than electrical machinery (up from negative 18.4% in 2002).

Construction. The construction subsector's contribution to GDP, at constant market prices, decreased from 5.6% in 1999 to 5.1% in 2003. The construction subsector contracted by 5.9% in 2003 after a contraction of 3.3% in 2002. The declines in the construction subsector for 2002 and 2003 were primarily due to a decrease in public construction prompted by budget austerity measures.

Electricity, Gas and Water. The electricity, gas and water subsector grew by 2.9% in 2003, compared to 4.3% in 2002. The slower growth was attributable primarily to reduced electricity demand.

With limited natural resources available for energy development, the Philippines satisfies most of its energy needs with imports of coal and oil, which it then converts into electric power. In 1998, the Government enacted a new oil industry deregulation act, which allowed oil prices to fluctuate and eased the entry of new players into the industry. The 1998 oil industry deregulation act has increased investment activity and attracted new players into the downstream oil industry, with approximately ₱4 billion of new investments in LPG refilling, bulk storage and retail outlets since deregulation of the industry. Prices of petroleum products have fluctuated in response to market prices and competition has increased. Retail petrol prices declined by a total of ₱0.50-0.65 per liter between October 1998 and January 1999 in response to increased competition; however, prices have since increased due to the increase in world crude oil prices. Increases in world crude oil prices led the country to increase coal imports and decrease oil imports.

Mining and Quarrying. The mining and quarrying subsector grew by 17.5% in 2003, compared to growth of 51.0% during 2002. Most of the growth in the mining and quarrying subsector in 2002 was attributable to production from the Camago-Malampaya Gas Project. Growth was sustained in 2003, although each quarter of 2003 had slower growth than the corresponding quarter of 2002. Growth was slower in 2003 because there was no comparable increase in production of crude oil or production from the Camago-Malampaya Gas Project.

Service Sector

The service sector comprises, in order of importance: trade; finance; housing and real estate; private services; transportation, communications and storage; and Government services. The services sector remains the largest contributor to GDP, having contributed 46.4% of GDP at constant market prices in 2003, 45.8% of GDP in 2002 and 45.3% in 2001. In 2003, the service sector as a whole grew by 5.9%.

Trade. The trade subsector, which consists of wholesale and retail activities, accounted for 16.5% of GDP at constant market prices in 2003. Total trade is comprised of approximately 75% retail trade and 25% wholesale trade. The trade subsector grew by 5.8% in 2003 at constant market prices, the same level of growth as in 2002. Increased growth in retail trade offset decreased growth in wholesale trade in 2003. Growth in retail trade increased to 6.3% in 2003 from 6.0% in 2002. Although sales from malls, warehouse clubs, supermarkets

and pharmaceutical products provided growth for wholesale trade, growth was 4.6% for 2003, down from 5.2% for 2002.

Finance. The finance subsector's contribution to GDP at constant market prices decreased slightly from 5.0% in 1999 to 4.7% in 2003.

The finance subsector grew by 6.9% in 2003 after growing by 3.4% in 2002. Increased growth in 2003 was due to substantially higher levels of bank loans and higher earnings from fee-based transactions, as well as trading gains from investments in government securities. For a discussion of the country's financial system, see "— The Philippine Financial System."

Ownership of Dwellings and Real Estate. The ownership of dwellings and real estate subsector grew by 3.8% in 2003 at constant market prices after growing by 1.7% in 2002. Higher growth was due primarily to increased revenues from leases and rentals and improved residential lot sales.

Private Services. The private services subsector includes educational, medical and health, recreational and hotel and restaurant services. The subsector contributed 7.5% to GDP in 2003. The private services subsector grew by 5.3% in 2003 at constant market prices, compared to growth of 5.5% in 2002. In 2003, increased growth in personal and educational services offset diminished growth in tourism-related services due to the SARS outbreak and concerns over terrorism. Personal services, comprising services provided by funeral parlors, washing and drying businesses and other related services, grew 6.2% in 2003 from 5.5% in 2002. Consumer consumption increased to 5.7% from 5.3% for education, personal care and effects, medical and health, recreation and other miscellaneous expenditures.

Transportation, Communications and Storage. The geographically diverse nature of the Philippines makes it important to have well developed road, air and sea transportation systems. The Government has encouraged the private sector to provide basic transportation services and strengthen inter-regional and urban links. Important ongoing projects involving the private sector include the Metro Rail Transit Project, Metro Manila Skyway Project, the Manila-Cavite Expressway Project and the South Luzon Expressway Extension.

The country's road network is the most important transportation system, carrying about 65% of freight and 90% of passenger traffic. The road network covers more than 200,000 kilometers. About 1.8 million vehicles use the road network, including 236,000 vehicles for public use, principally in Metro Manila. Traffic remains congested in the capital region, despite traffic management and various engineering measures. To ease traffic congestion the Government has built and continues to promote alternative road networks and mass rapid urban transit rail.

Usage of the country's rail facilities has declined largely because of the outdated facilities of the Philippine National Railways. The Government has constructed a three-line light-rail transit system in Metro Manila, financed by a build, lease and transfer arrangement, and has started work on a fourth line of the light-rail transit system.

Four international airports, in Manila, Cebu, Clark and Subic, and 83 other facilities throughout the country help meet the country's air transport needs. The Government plans to upgrade several major airports to international standards and generally to modernize air navigation and communications operations in the country. A new Manila International Airport terminal, expected to accommodate more than 10 million international passengers per year, is scheduled to open in the summer of 2004. The Government plans to complete construction and take over operations of the new terminal after the Supreme Court voided the private concession contract which had originally been awarded to a private consortium in 1997. The Government has formulated a plan for the transition from land-based to satellite-based technology in civil aviation. It approved the implementation of the new communications, navigation surveillance and air traffic management systems project, which will implement satellite-based technology designed to control and manage the air traffic within the respective flight information region. Once financing is obtained and implementation is completed, the system will increase air travel safety, shorten flight duration for air passengers and improve aircraft operating efficiency due to more flexible flight paths and increased airspace capacity.

The Republic also requires an effective water transport system to ferry cargo and passengers among islands. Currently, the water transport system handles about 40% of total freight traffic and 10% of total passenger traffic in the Philippines. The regulatory policy during the past decade has been to open the industry to competition, ensuring lower cargo passage rates and improving the quality of service. The Government plans to construct or improve 96 national ports, approximately 300 municipal, feeder and fishing ports and river landings and special handling facilities for grains and bulk cargo in other selected ports.

Faced with historical shortages of telephone lines and long waits for basic telephone service, especially outside Metro Manila, the Government opened the telecommunications industry in 1993 to intensify competition and to increase substantially the number of telephone lines and interconnections. The Government has continued to implement programs designed to provide telephone lines, exchanges and transmission facilities to underserved regions of the country. As of December 31, 2001, more than 6.9 million lines have been installed, which translates to a telephone density of 8.9 main telephone lines per 100 inhabitants.

The transport, communications and storage subsector's contribution to GDP, at constant market prices, grew from 6.7% in 1999 to 8.0% in 2003. At constant market prices the subsector grew by 8.6% in 2003, compared to growth of 8.9% in 2002. This reduced growth was caused primarily by a significant decrease in growth of air transport, which offset increased growth in land transport and communication services.

Government Services. The Government services subsector grew by 3.8% in 2003, compared to 4.7% in 2002, at constant market prices.

Prices, Employment and Wages

Inflation

The Philippines reports inflation as the annual percentage change in the consumer price index, which measures the average price of a standard "basket" of goods and services used by a typical consumer. In June 1998, the Government began employing a 1994-based CPI basket of goods and services. For Metro Manila, the 1994 CPI basket consists of 705 commodities. In addition, the 1994 CPI basket for areas outside Metro Manila focuses on provinces or cities.

The National Statistics Office conducts a nationwide Family Income and Expenditure Survey every six years, and the 2000-based CPI basket will officially replace the 1994-based CPI basket after June 2004.

The following table sets out the principal components of the 1994 and 2000 CPI baskets.

PRINCIPAL COMPONENTS OF 1994 AND 2000 CPI BASKETS

<u>Category</u>	<u>1994 CPI Basket</u>	<u>2000 CPI Basket</u>
Food items (including beverages and tobacco), total	55.1%	50.1
Rice	11.8	9.4
Non-food items, total	44.9	50.0
Housing and repairs	14.7	16.8
Services	12.3	15.9
Fuel, light and water	5.7	7.0
Clothing	3.7	3.0
Miscellaneous	8.5	7.3

The following table sets out the consumer price index (based on the 1994 CPI basket) and the manufacturing sector's equivalent, the producer price index (based on the 1994 PPI benchmark), as well as the annual percentage changes in each index.

CHANGES IN CONSUMER AND PRODUCER PRICE INDEX

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Consumer Price Index	145.9	152.3	161.6	166.6	171.7	175.5 ⁽¹⁾
Increase over previous year	6.7%	4.4%	6.1%	3.1%	3.1%	3.5% ⁽¹⁾
Producer Price Index for manufacturing	125.9	141.5	165.6	170.4	184.5	188.1 ⁽²⁾
Increase/ (decrease) over previous year	7.0%	12.4%	17.0%	2.9%	8.3%	4.6% ⁽²⁾

Source: National Statistics Office.

(1) As of March 2004.

(2) As of January 2004.

In 1999, inflation declined to 6.7%. The decline was due primarily to a sharp fall and subsequent stability in food prices resulting from strong performance in the agriculture sector leading to increased food supply, which partially offset the effects of increases in world crude oil prices.

Inflation remained in single digits at 4.4% for 2000, compared with the 6.7% recorded in 1999. Moderate inflation was achieved notwithstanding an increase in economic activity, inflationary pressures arising from wage adjustments and increases in oil prices and transport fares.

Inflation was 6.1% in 2001, which was within the Government's target of 6–7%. Favorable food and oil prices, stable exchange rates and moderate growth in demand all contributed to low inflation.

The national inflation rate averaged 3.1% for 2002. Inflation continued to be benign despite the recent adjustments in domestic oil prices, which increased by 11.2% at December 31, 2002 as compared with December 31, 2001 (in part because the adjustments were treated as transport charges), and despite an increase in food prices due to weather-related reductions in supplies of rice, fruits, and vegetables. Reductions in Bangko Sentral's policy interest rates and efforts to maintain fiscal discipline, which led to lower market lending rates and lower costs of capital for businesses, also had a favorable impact on inflation. Equally important, inflationary pressures caused by more demand than supply continued to be subdued due in part to current levels of unemployment and spare capacity. The reduction in the PPA of NPC, effective May 8, 2002, and the decision of the Manila Waterworks and Sewerage System to delay petitions for water rate increases also helped to keep inflation rates relatively low.

Inflation, measured using the 1994 CPI basket, remained at 3.1% in 2003. The 2003 inflation of 3.1% was below the Government's full-year inflation target of 4.5–5.5 percent. The lower-than-targeted inflation rate in 2003 was due to a lack of significant demand-driven pressure as well as to unused productive capacity.

For the first three months of 2004, inflation measured using the 1994 CPI basket averaged 3.5%. Based on the 2000 CPI basket, inflation was 4.2% in March 2004 compared to 4.0% in February 2004 and averaged 4.0% for the first three months of 2004.

Employment and Wages

The following table presents selected employment information for various sectors of the economy.

SELECTED EMPLOYMENT INFORMATION⁽¹⁾

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>January 2004</u>
Labor force (in thousands) ⁽²⁾⁽³⁾	30,759	30,911	32,809	33,936	34,560	35,421
Unemployment rate	9.8%	11.2%	11.1%	11.4%	11.4%	11.0%
Employment share by sector:						
Agriculture, fishery and forestry	38.8%	32.9%	37.2%	37.0%	36.6%	35.4%
Industry sector						
Mining and quarrying	0.4	0.4	0.4	0.4	0.3	0.4
Manufacturing	9.9	10.0	10.0	9.5	9.6	9.9
Construction	5.5	5.4	5.4	5.3	5.5	5.4
Electricity, gas and water	<u>0.5</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>0.3</u>
Total industry sector	16.3%	16.2%	16.2%	15.6%	15.9%	16.0%
Service sector						
Transportation, communication and storage ..	6.9	7.2	7.3	7.2	7.6	7.7
Trade	15.7	16.3	18.0	18.7	18.3	18.5
Finance and housing	2.6	2.6	2.8	2.8	3.1	3.3
Services	<u>19.7</u>	<u>20.5</u>	<u>18.6</u>	<u>18.7</u>	<u>18.7</u>	<u>19.2</u>
Total services sector	44.9%	46.6%	46.7%	47.4%	47.6%	48.6%
Total employed	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: Bureau of Labor and Employment Statistics — Current Labor Statistics; National Statistics Office — Labor Force Survey.

(1) Figures for 1999 to 2003 are the average of the applicable statistic for each quarter in the relevant period.

(2) Does not include overseas Filipino workers.

(3) Figures generated using 1995 census-based population projections.

In January 2004, the Filipino labor force, not including overseas workers, totalled 35.4 million people. The Filipino labor force is relatively young. Filipino workers are employed primarily in service industries, such as nursing and education, and in manufacturing export industries, such as electronics and garments. Approximately 865,000 Filipino workers were working overseas from January to December 2003, a decrease of approximately 3.0% from the same period in 2002. The decline in overseas Filipino workers in 2003 was attributed to the SARS outbreak, the war in Iraq and a reduction in wages for domestic helpers in Hong Kong.

Regional tripartite bodies consisting of representatives of Government, businesses and workers establish minimum wage requirements, which vary based on region and industry. Under the law, minimum wage requirements may only be increased once in any twelve month period. The minimum wages for workers in Metro Manila and the surrounding areas are the highest in the country. Across the regions, daily minimum wages range from a low of ₱114.0 to a high of ₱280.0.

The economic difficulties that began in the second half of 1997, including the slower growth of the country's industrial production, drove the average unemployment rate to 10.3% in 1998 before it declined to 9.8% in 1999. The unemployment rate then increased to 11.2% in 2000 due to the effects of the El Niño weather phenomenon on agriculture and labor cutbacks in industry. Labor and employment conditions improved in 2001 as the economy grew stronger than expected during the year. The substantially reduced number of strikes, increased rates of deployment of workers overseas and improved legislated wage indicators reflect broadly improved labor, employment and wage conditions during the year.

In 2002, the average national unemployment rate rose slightly to 11.4% from 11.1% in 2001. On January 25, 2002, pursuant to policies adopted at the National Socio-Economic Summit of 2001, the Government implemented a job corps program promoting volunteerism, civic consciousness among the country's youth, community development and employment projects.

In 2003, the average national unemployment rate remained at 11.4%.

In January 2004, the economy created 1.4 million net new jobs, but 1.7 million new entrants to the labor force raised the unemployment rate to 11.0% from the previous quarterly figure of 10.2% in October 2003.

In Metro Manila, where 13.8% of the country's labor force is located, unemployment ranged from 13.8% to 16.4% from 1997 to 1999 and from 17.9% to 17.7% from 2000 to 2002.

Social Security System and Government Service Insurance System

The Philippines does not pay any unemployment compensation or make any general welfare payments other than through the Social Security System and the Government Service Insurance System. The Social Security System provides private sector employees, including self-employed persons and their families, with protection against disability, sickness, old age and death. Monthly contributions by covered employees and their employers, and investment income of the Social Security System, fund the system. The Social Security System invests its funds in Government securities and in domestic equity securities.

The Government Service Insurance System administers social security benefits for Government employees, including retirement benefits, life insurance, medical care and sickness and disability benefits. The system also administers the self-insurance program for Government properties, such as buildings and equipment. The Government Service Insurance System also oversees loan programs, including housing loans for Government employees. Monthly contributions by covered employees and their employers fund the system. Government agencies must include in their annual appropriations the amounts needed to cover their share of the contributions and any additional premium required based on the hazardous nature of the work. The Government Service Insurance System invests its funds in a manner similar to the Social Security System.

Savings

The following table sets out gross national savings, total investment and the savings-investment gap as a percentage of GDP.

NATIONAL SAVINGS AND INVESTMENTS

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Gross national savings	22.7%	27.5%	26.2%	22.5%	24.7%
Gross investments	20.3%	18.8%	18.4%	20.7%	19.3%
Savings-investment gap	2.4%	8.8%	7.8%	1.8%	5.4%

Source: National Accounts, NSCB.

Government steps to stimulate the savings rate in the Philippines include:

- launching a nationwide savings consciousness campaign to inform savers about different types of financial assets;
- shifting by the Philippine Stock Exchange from merit-based regulation to self-regulation;
- tightening disclosure and insider trading rules;
- removing double taxation of mutual funds;
- allowing increased foreign equity participation in investment and financing companies;

- rationalizing financial taxes (e.g., gross receipts tax, documentary stamp tax, initial public offerings tax);
- broadening of the scope and coverage of small denomination Treasury bills;
- establishing a Small and Medium Enterprises Board at the Philippine Stock Exchange; and
- lengthening of the yield curve of government securities.

Balance of Payments

Balance of Payments Performance

Balance of payments figures measure the relative flow of goods, services and capital into and out of the country as represented in the current account and the capital and financial accounts. The current account tracks a country's trade in goods, services, income and current transfer transactions. The capital and financial account includes the capital account, which covers all transactions involving capital transfers and acquisition or disposition of non-produced, non-financial assets, and the financial account, which covers all transactions associated with changes of ownership in the foreign financial assets and liabilities of an economy. A balance of payments surplus indicates a net inflow of foreign currencies, thereby increasing demand for and strengthening the local currency. A balance of payments deficit indicates a net outflow of foreign currencies, thereby decreasing demand for and weakening the local currency.

Beginning in January 2000, Bangko Sentral has reported the balance of payments under a new framework based on the fifth edition of the Balance of Payments Manual, or BPM5, of the IMF. As compared to the previously used balance of payments framework, the new framework introduced certain changes in classification, format and coverage. With respect to classification and format, the new framework (among other things) reports an income account that reflects earnings from overseas Filipino workers and investment income; groups financial transactions into direct investment, portfolio investment, and other investment; and separates transfers between the current and capital accounts. Also, with respect to trade, the new framework excludes shipped goods that do not change ownership (thus deviating from the statistics on foreign goods trade currently published by the National Statistics Office). Finally, in the financial account, the new framework only reports actual financial transactions. In particular, the financial account under the new framework excludes previously reported revaluations of assets and liabilities, and excludes monetization of gold for Bangko Sentral reserves.

The following table sets out the consolidated financial position on a cash basis for the Republic for the years 1999–2003.

BALANCE OF PAYMENTS^{(1) (2)}

	Years Ended December 31,				
	1999	2000	2001	2002	2003 ⁽³⁾
	(in millions)				
Overall BOP position:⁽⁴⁾	\$ 3,586	\$ (513)	\$ (192)	\$ 663	\$ 111
Current account:⁽²⁾	\$ 7,219	\$ 6,258	\$ 1,323	\$ 4,383	3,347
Goods and services:.....	2,247	1,384	(2,793)	(610)	(2,480)
Exports ⁽⁵⁾	39,014	41,267	34,391	37,432	37,812
Imports ⁽⁵⁾	36,767	39,883	37,184	38,042	40,292
Goods	4,959	3,814	(743)	407	(1,253)
Credit: Exports ⁽⁵⁾	34,211	37,295	31,243	34,377	34,842
Debit: Imports ⁽⁵⁾	29,252	33,481	31,986	33,970	36,095
Services	(2,712)	(2,430)	(2,050)	(1,017)	(1,227)
Credit: Exports	4,803	3,972	3,148	3,055	2,970
Debit: Imports	7,515	6,402	5,198	4,072	4,197
Income:	4,460	4,437	3,669	4,490	5,215
Credit: Receipts	8,082	7,804	7,152	7,946	8,415
Debit: Disbursements	3,622	3,367	3,483	3,456	3,200
Current transfers:	512	437	447	503	612
Credit: Receipts	607	552	517	594	682
Debit: Disbursements	95	115	70	91	70
Capital and financial account: ⁽²⁾	(2,333)	(4,119)	(1,080)	(1,644)	(5,319)
Capital account:	(8)	38	(12)	(19)	21
Credit: Receipts	44	74	12	2	40
Debit: Disbursements	52	36	24	21	19
Financial account:	(2,325)	(4,157)	(1,068)	(1,625)	(5,340)
Direct investment	1,754	1,453	1,142	1,733	161
Debit: Assets, residents' investments abroad	(29)	(108)	(160)	59	158
Credit: Liabilities, non-residents' investments in the Philippines	1,725	1,345	982	1,792	319
Portfolio Investment:	6,874	207	1,050	1,122	(706)
Debit: Assets, residents' investments abroad	807	812	399	449	1,586
Credit: Liabilities, non-residents' investments in the Philippines	7,681	1,019	1,449	1,571	880
Other Investment:	(10,953)	(5,817)	(3,260)	(4,480)	(4,795)
Debit	18,639	15,313	13,898	13,165	13,307
Credit	7,686	9,496	10,638	8,685	8,512
Net unclassified items:	(1,300)	(2,652)	(435)	(2,076)	2,083

Source: Bangko Sentral.

- (1) Beginning January 2000, the Republic adopted the BPM5. For the purpose of assessing comparative performance, the 1999 balance of payments was reconstructed to conform with the conceptual coverage of the BPM5.
- (2) The Republic has disclosed that the reported current account surplus for 2000 and 2001 had previously been overstated due to monitoring problems giving rise to underreported imports. See the discussion in the main text following this table.
- (3) Preliminary.
- (4) The overall BOP position results from the change in net international reserves excluding the effects of revaluation of reserve assets and selected reserve liabilities, gold monetization and Special Drawing Rights allocation.
- (5) Data on exports and imports from the National Statistics Office were adjusted to exclude temporary exports and imports and returned goods.

Recent Revisions. In January 2003, the Republic disclosed that the previously reported current account surplus had been overstated due to monitoring problems giving rise to underreported imports. An inter-agency

task force on the balance of payments considered the effects of this problem on the Republic's consolidated financial position, specifically the Republic's current account and capital and financial account. The inter-agency task force has revised the Republic's balance of payments data for the years 2000, 2001 and 2002, but will not review prior years due to incomplete information. The inter-agency task force worked within the guidelines of the IMF's reporting system and included representatives of the Bangko Sentral, the National Statistics Office, the National Economic and Development Authority, the National Statistics Coordination Board, the Bureau of Customs and the Philippine Export Zone Authority.

Reflecting the updated import data, the current account for 2000 has been revised to a surplus of \$6.3 billion from the previously reported surplus of \$8.5 billion, and the current account for 2001 has been revised to a surplus of \$1.3 billion from the previously reported surplus of \$4.6 billion. At these revised levels, the current account surplus stood at 7.9% and 1.7% of gross national product for 2000 and 2001, respectively. Accordingly, the capital and financial account for 2000 has been revised downward to a net outflow of \$4.1 billion from a previously reported net outflow of \$6.5 billion, and the capital and financial account for 2001 has been revised downward to a net outflow of \$1.1 billion from a previously reported net outflow of \$3.8 billion.

Overall Balance of Payments Performance. In 1999, under the BPM5 framework, the balance of payments recorded an overall surplus of \$3.6 billion. This resulted from a surplus of \$7.2 billion in the current account due to an improvement in the goods trade balance and net inflows from the income account. The capital and financial account recorded a deficit of \$2.3 billion in 1999, although there were sustained inflows of direct investment and portfolio investment by nonresidents.

In 2000, the balance of payments, as revised, recorded a deficit of \$513 million, following the weaker capital and financial account even as the current account continued to perform favorably. The current account posted a surplus of \$6.3 billion for 2000, or 13.3% lower than the level registered in 1999. The net outflow in the capital and financial account was \$4.1 billion following the weakening in the financial account. Inflows of both direct and portfolio investments offset some of the outflows in the other investments account. However, portfolio investments were down considerably in 2000 to a net inflow of \$207 million from a net inflow of \$6.9 billion in 1999.

In 2001, the balance of payments, as revised, showed a deficit of \$192 million, compared to a deficit of \$513 million in 2000. This positive development was caused by lower net outflows of \$1.1 billion in the capital and financial account in 2001, as compared to \$4.1 billion in 2000, which overshadowed a substantial decline in the current account surplus of \$1.3 billion in 2001, as compared to \$6.2 billion in 2000. Exports of goods contracted by 16.2% and inflows in the services trade account decreased by 20.7% due to lower travel receipts arising from security concerns that followed the terrorist attacks in the United States. Imports of goods declined by 4.5%, and outflows in the services trade account declined by 18.8%. Foreign direct investments posted a net inflow of \$1.1 billion, compared to a \$1.5 billion net inflow in 2000. The net inflow in portfolio investments increased to \$1.1 billion in 2001 from \$207 million in 2000.

In 2002, the balance of payments registered a surplus of \$663 million, compared to a deficit of \$192 million in 2001. This improvement can mainly be attributed to the stronger performance of the current account, which offset the weaker performance of the capital and financial account. The current account surplus more than tripled to \$4.4 billion for 2002 from \$1.3 billion in 2001. This positive development was mainly caused by higher net inflows in the income account, the reversal of the trade-in-goods balance from a deficit to a surplus and lower net outflows in services. The trade-in-goods balance for 2002 posted a surplus of \$407 million, as compared to a deficit of \$743 million for 2001 as growth of exports outpaced growth of imports. The strong export performance was supported by increasing intra-regional trade in Asia, offsetting the reduction in demand from the US and Japan, the Republic's traditional trading partners, and by a new export plan focusing on aggressive marketing and developing small and medium enterprises. The trade-in-services account for 2002 recorded a net outflow of \$1.0 billion, 50.4% lower than to the level in 2001, mainly because of the lower net payments for transportation services, construction services and miscellaneous business, professional and technical services. Net inflows in the income account for 2002 grew by 22.4% to \$4.5 billion. The higher surplus was due mainly to an increase in the number of deployed overseas Filipino workers sending

remittances from abroad. The current transfers account for 2002 amounted to \$503 million, 12.5% higher than the level registered in 2001. The improvement was due mainly to higher transfers from migrant workers. However, the capital and financial account for 2002 posted a net outflow of \$1.6 billion, compared to the net outflow of \$1.1 billion in 2001. The weaker performance of this account was attributed to the increase in the net outflow in other investments, which rose to \$4.5 billion in 2002 from \$3.3 billion in 2001. These changes offset the net inflow of portfolio investments of \$1.1 billion, the same level as in 2001, mainly because of the substantially higher non-residents' investments in resident-issued foreign-denominated debt securities and the higher net inflow of direct investments.

In 2003, the balance of payments recorded a surplus of \$111 million, compared to the \$663 million surplus in 2002. The current account recorded surplus of \$3,347 million, lower than the \$4,383 million recorded in 2002. The continued surplus reflected robust net inflows throughout the year, particularly from overseas Filipino workers, which offset a decline in the trade balance. The income account recorded a surplus of \$5,215 million in 2003 compared to \$4,490 million in 2002, primarily caused by higher remittances of overseas Filipino workers. The trade-in-goods balance recorded a deficit of \$1,253 million after recording a surplus of \$407 million in 2002, mainly because of weak exports in the early part of 2003. The trade-in-services account recorded a deficit in 2003 of \$1,227 million, higher than the deficit of \$1,017 million recorded in 2002.

The capital and financial account posted a deficit of \$5,319 million in 2003. Both direct and portfolio investment accounts were weak in 2003 relative to 2002, weighed down by global uncertainty during the first half of 2003, domestic political uncertainty and corporate restructuring. Net inflows for direct investments declined to \$161 million in 2003 from \$1,733 million in 2002 due to the deferral of several approved investments as well as a divestment by a significant foreign investor. The portfolio investment account recorded net outflows of \$706 million in 2003, a reversal of the net inflow of \$1,122 million in 2002. This development was due to the repayment of bonds and the purchase of local debt, which more than offset Government bond issuances. The other investment account recorded a net outflow of \$4,795 million, higher than the net outflow of \$4,480 million in 2002, mainly because of net repayment of loans.

Current Account

In 2003, the current account posted a surplus of \$3.3 billion, a 23.6% decrease from 2002. The surplus is attributable to the robust net inflow in the income account throughout 2003, in large part from higher remittances from overseas foreign workers. These remittances resulted in inflows of \$5.2 billion, an amount 16.1% higher than the 2002 level of remittances.

Goods Trade. Trading in goods significantly affects the Philippine economy. From 1999 to 2003, exports (as reported by the National Statistics Office) were equal to an average of 43.3% of the country's GNP and imports were equal to an average of 42.0% of GNP.

A significant proportion of exports, estimated at approximately 40% in 2002, depends on imported raw materials or other inputs, rendering the country's exports vulnerable to any import decline resulting from a peso depreciation. The peso has been depreciating for a number of years and is currently near its historical low relative to the US dollar. See "— Foreign Exchange System".

Exports of Goods. The following table sets out the Republic's exports of goods by major commodity group, as reported by the National Statistics Office.

EXPORTS OF GOODS BY COMMODITY GROUP

	1999	2000	2001	2002	2003	Percentage of Total Exports	
						1999	2003
	(in millions, except percentages)						
Manufactures							
Electronics and electrical equipment/parts	\$21,166	\$22,179	\$16,699	\$18,583	\$18,255	60.4%	51.1%
Garments	2,267	2,563	2,403	2,391	2,269	6.5	6.3
Textile yarns/fabrics	219	249	226	247	243	0.6	0.7
Footwear	86	76	73	47	47	0.2	0.1
Travel goods and handbags	154	177	174	83	62	0.4	0.2
Wood manufactures	129	212	119	112	131	0.4	0.4
Furniture & fixtures	354	381	298	316	278	1.0	0.8
Chemicals	294	328	318	360	393	0.8	1.1
Non-metallic mineral manufactures	111	133	123	113	128	0.3	0.4
Machinery and transport equipment	4,950	5,909	6,136	7,067	7,184	14.1	20.1
Processed food and beverages	256	267	337	385	476	0.7	1.3
Iron and steel	18	25	14	17	18	0.1	0.1
Baby carriages, toys, games and sporting goods	158	165	145	140	127	0.5	0.4
Basketwork, wickerwork and other articles of plaiting materials	85	95	83	74	69	0.2	0.2
Miscellaneous manufactured articles, not elsewhere specified	212	229	220	231	285	0.6	0.8
Others	850	999	974	1,014	1,216	2.4	3.4
Total manufactures	31,309	33,987	28,340	31,181	31,182	89.4	87.2
Agro-based products							
Coconut products	466	577	532	484	640	1.3	1.8
Sugar and sugar products	71	57	32	47	70	0.2	0.2
Fruits and vegetables	455	528	552	544	602	1.3	1.7
Other agro-based products	476	486	427	453	470	1.4	1.3
Total agro-based products	1,468	1,648	1,544	1,527	1,781	4.2	5.0
Mineral products	646	650	537	519	637	1.8	1.8
Petroleum products	216	436	242	353	533	0.6	1.5
Forest products	20	44	23	23	37	0.1	0.1
Others	1,379	1,313	1,464	1,607	1,582	3.9	4.4
Total	\$35,037	\$38,078	\$32,150	\$35,209	\$35,751	100.0%	100.0%

Source: National Statistics Office.

Exports of goods, as reported by the National Statistics Office, grew by 18.8% in 1999, 8.7% in 2000, 9.5% in 2002 and 1.5% in 2003, but declined by 15.6% in 2001. As a percentage of total exports, manufactured goods decreased from 89.4% in 1999 to 87.2% in 2003. Exports of electronics, electrical equipment and parts, and telecommunications equipment decreased slightly as a proportion of total exports from 60.4% in 1999 to

51.1% in 2003. During the same period, exports of garments as a proportion of total exports decreased from 6.5% in 1999 to 6.3% in 2003 because of increased international competition and a general decline in global demand. Exports of agriculture products, including coconut products, sugar products, fruits and vegetables, increased as a proportion of total exports from 4.2% in 1999 to 5.0% in 2003. On the other hand, increased production helped exports of machinery and transport equipment increase from \$5.0 billion in 1999 to \$7.2 billion in 2003. As a percentage of total exports, machinery and transport grew from 14.1% in 1999 to 20.1% in 2003.

In 1999, exports of goods grew by 18.8% to \$35.0 billion, compared with 16.9% over 1998. Electronics, machinery and transport equipment and garments were the leading export earners. Higher shipments of mineral products, fruits and vegetables and furniture and fixtures also contributed to the expansion of exports in 1999.

In 2000, exports of goods totalled \$38.1 billion, 8.7% more than 1999. Among the merchandise exports, electronics maintained its position as the top earner and continued growing, but at a decelerated rate of 4.8% in 2000 compared to 23.5% in 1999. Garments, the third top earner, had a 13.0% increase in 2000 after a 3.8% contraction in 1999. Machinery and transport, the second top earner in 2000, experienced decelerated growth, from 49.3% in 1999 to only 19.2% in 2000.

In 2001, exports of goods declined by 15.6% to \$32.1 billion. The decline reflected the slump in demand by the country's leading trading partners, namely the US and Japan, as well as the downtrend in demand in the information technology sector. Exports of semiconductor components experienced declines in both volume and price. All major commodity groups posted declines except fruits and vegetables, which grew 4.5%, and machinery and transport equipment, which grew 3.8%. Electronics, machinery and transport equipment and garments remained the top three export commodities.

Exports of goods for 2002 were \$35.2 billion, or 9.5% higher than exports of goods in 2001. Higher demand for Philippine goods from Japan, Taiwan, Hong Kong, South Korea, Malaysia and China made up for a decrease in exports to the US, which accounted for approximately 25% of the country's export market in 2002. The following table sets out the destinations of the Republic's exports.

Exports of goods, as reported by the National Statistics Office, were \$35.8 billion for 2003, 1.5% more than the \$35.2 billion in exports of goods for 2002, with most of the growth coming in the fourth quarter. The improvement for the year was attributed to increases in external demand for machinery and transport equipment. Increased exports of machinery and transport equipment resulted, in part, from increased demand in trading partner countries based on expectations of an improving global economy.

EXPORTS OF GOODS BY DESTINATION

	1999	2000	2001	2002	2003	Percentage of Total Exports	
						1999	2003
	(in millions, except percentages)						
United States	\$10,445	\$11,365	\$ 8,979	\$ 8,683	\$ 7,119	29.8%	19.9%
ASEAN countries ⁽¹⁾	4,916	5,894	4,914	5,416	6,285 ⁽²⁾	14.0	17.6
Japan	4,660	5,606	5,054	5,292	5,756	13.3	16.1
Hong Kong SAR	1,947	1,907	1,580	2,359	3,071	5.6	8.8
The Netherlands	2,865	2,982	2,976	3,055	2,922	8.2	8.2
Taiwan	2,993	2,861	2,127	2,485	2,341	8.5	6.5
People's Republic of China ⁽³⁾	575	663	793	1,356	2,143	1.6	6.0
South Korea	1,032	1,173	1,044	1,339	1,311	2.9	3.7
Germany	1,229	1,329	1,323	1,386	1,219	3.5	3.4
United Kingdom	1,766	1,506	997	946	694	5.0	1.9
Others	2,609	2,792	2,362	2,892	2,891	7.4	8.1
Total	<u>\$35,037</u>	<u>\$38,078</u>	<u>\$32,150</u>	<u>\$35,209</u>	<u>\$35,751</u>	<u>100.0%</u>	<u>100.0%</u>

Source: Foreign Trade Statistics, National Statistics Office.

(1) Includes (for 1998 to 2002) only Brunei, Indonesia, Malaysia, Singapore and Thailand.

(2) Includes only Malaysia, Singapore and Thailand.

(3) Excludes Hong Kong SAR.

The United States accounted for, on average, 26.4% of total exports from 1999 to 2003. Japan accounted for, on average, 15.0% of Philippine exports from 1998 to 2003. Recognizing the danger of over-reliance on so few export markets, the country has attempted to increase its exports to other countries, particularly ASEAN countries. The Republic is a party to the ASEAN Free Trade Agreement, which provides for reduced tariffs among ASEAN nations as well as plans for intra-regional investments, industrial linkages and banking and financial integration. The Republic's overall average trade-weighted tariff rates declined from 5.0% in 2000 to 3.6% in 2003. By sector, average trade-weighted tariff rates declined from 15.7% in 2000 to 10.3% in 2003 for agricultural products, from 3.1% in 2000 to 2.9% in 2003 for mining products, and from 3.9% in 2000 to 3.0% in 2003 for manufactures. Tariff rates currently range from 0% to 65% for agricultural products, from 1% to 5% for mining products and from 0% to 30% for manufactures.

Imports of Goods. The import data for 2000, 2001 and 2002 have been revised. See "Balance of Payments — Recent Revisions".

For 2002, the value of imports of goods, as reported by the National Statistics Office, has been adjusted from \$33.5 billion to \$35.4 billion. For 2001, the value of total imports of goods has been adjusted from \$29.6 billion to \$33.1 billion. For 2000, the value of total imports of goods has been adjusted from \$31.4 billion to \$34.5 billion.

IMPORTS OF GOODS BY COMMODITY GROUP

	1999	2000	2001	2002	2003	Percentage of Total Imports		
						1999	2003	
	(in millions, except percentages)							
Raw materials and intermediate goods								
Unprocessed raw materials ⁽¹⁾	\$ 1,517	\$ 1,337	\$ 1,368	\$ 1,416	\$ 1,335	4.9%	3.6%	
Semi-processed raw materials ⁽²⁾	11,083	13,825	13,585	13,376	13,234	36.1	35.3	
Total raw materials and intermediate goods	\$12,600	\$15,163	\$14,953	\$14,792	\$14,568	41.0%	38.9%	
Capital goods	11,828	12,162	11,438	13,533	15,023	38.5	40.1	
Consumer goods								
Durable	1,093	1,070	947	981	1,155	3.6	3.1	
Non-durable	1,551	1,452	1,536	1,595	1,565	5.0	4.2	
Total consumer goods	\$ 2,644	\$ 2,523	\$ 2,483	\$ 2,576	\$ 2,720	8.6%	7.3%	
Mineral fuels and lubricants	2,433	3,877	3,372	3,273	3,761	7.9	10.0	
Other	1,237	765	812	1,253	1,379	4.0	3.7	
Total	<u>\$30,742</u>	<u>\$34,491</u>	<u>\$33,057</u>	<u>\$35,427</u>	<u>\$37,452</u>	<u>100.0%</u>	<u>100.0%</u>	

Source: National Statistics Office.

(1) Includes wheat, corn, unmilled cereals excluding rice and corn, inedible crude materials and unmanufactured tobacco.

(2) Includes chemicals and chemical compounds, manufactured goods that are not capital or consumer goods, materials for the manufacture of electrical and electronic equipment and parts, and embroideries.

In 1999, imports of goods totalled \$30.7 billion. This represented an increase of 4.1% from 1998. The increase was due mainly to an increase in imports of electronics and components, minerals, fuel and lubricants.

In 2000, imports of goods increased by 12.2% to \$34.5 billion, compared to a 4.1% increase in 1999. Most of the increase in reported imports from 1999 to 2000 can be attributed to the fact that the 2000 import figures

were revised upwards by 9.9% in early 2003, whereas the 1999 figures have not been revised. However, the growth was also due to higher imports of capital goods, which rose by 2.8%, as well as the increase in imports of mineral fuel and lubricants which grew by 59.4% following the increase in the average price of petroleum crude in 2000 to \$27.89 per barrel, from \$16.31 per barrel in 1999.

In 2001, imports of goods fell by 4.2% to \$33.1 billion, a reversal of the 12.2% increase registered in 2000. This decline resulted primarily from the reduction in imports of raw materials and intermediate goods and capital goods used for exports and domestic production, as well as the reduced appetite for foreign-made goods as a result of the weak peso.

In 2002, imports of goods increased by 7.2% to reach \$35.4 billion. Imports of all major categories of goods except for semi-processed raw minerals and mineral fuels and lubricants increased from 2001 to 2002. Of the total \$35.4 billion in imports of goods, capital goods accounted for \$13.5 billion, or 38.2%, raw materials and intermediate goods accounted for \$14.8 billion, or 41.8%, mineral fuels and lubricants accounted for \$3.3 billion, or 9.2%, and consumer goods accounted for \$2.6 billion, or 7.3%.

Imports of goods, as reported by the National Statistics Office, were \$37.4 billion for 2003, a 5.7% increase from 2002. The increase in imports was due largely to the build-up of inventories of raw materials and oil products in anticipation of a possible supply disruption in the Middle East, as well as an increase in imports of electronic products.

The following table sets out the sources of the Philippines' imports of goods by country, reflecting import data revisions for 2000, 2001 and 2002. See "Balance of Payments — Recent Revisions".

IMPORTS OF GOODS BY SOURCE

	1999	2000	2001	2002	2003	Percentage of Total Imports		
						1999	2003	
	(in millions, except percentages)							
Japan	\$ 6,136	\$ 6,511	\$ 633	\$ 7,233	\$ 7,640	20.0%	20.4%	
US	6,365	6,411	6,411	7,286	7,389	20.7	19.7	
ASEAN countries ⁽¹⁾	4,248	5,203	4,837	5,421	5,262 ⁽²⁾	13.8	14.0	
Hong Kong SAR	1,226	1,243	1,335	1,583	1,602	4.0	4.3	
Saudi Arabia	810	1,048	887	1,000	1,198	2.6	3.2	
Taiwan	1,614	2,255	1,970	1,783	1,860	5.3	5.0	
South Korea	2,723	2,754	2,082	2,754	2,400	8.9	6.4	
Australia	757	817	645	575	491	2.5	1.3	
Germany	801	371	792	708	926	2.6	2.5	
People's Republic of China ⁽³⁾	1,040	786	75	1,252	1,793	3.4	4.8	
Others	<u>5,023</u>	<u>6,692</u>	<u>7,490</u>	<u>5,832</u>	<u>6,891</u>	<u>16.3</u>	<u>18.4</u>	
Total	<u>\$30,742</u>	<u>\$34,491</u>	<u>\$33,057</u>	<u>\$35,427</u>	<u>\$37,452</u>	<u>100.0%</u>	<u>100.0%</u>	

Source: Foreign Trade Statistics, National Statistics Office. Economic Indices and Indicators Division, Industry and Trade Statistics Department, Republic of the Philippines.

(1) Includes (from 1999 to 2002) only Indonesia, Malaysia, Singapore and Thailand.

(2) Includes only Malaysia, Singapore and Thailand.

(3) Excludes Hong Kong SAR.

Services Trade. The following table sets out the Republic's services trade by sector compiled in accordance with the BPM5 framework for the periods indicated.

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003⁽¹⁾</u>
	(in millions)				
Total services trade	<u>\$(2,712)</u>	<u>\$(2,430)</u>	<u>\$(2,050)</u>	<u>\$(1,017)</u>	<u>\$(1,227)</u>
Exports	4,803	3,972	3,148	3,055	2,970
Imports	7,515	6,402	5,198	4,072	4,197
Transportation	<u>(1,369)</u>	<u>(2,097)</u>	<u>(1,758)</u>	<u>(1,370)</u>	<u>(1,655)</u>
Exports	575	891	659	630	581
Imports	1,944	2,988	2,417	2,000	2,236
of which: Passenger	(117)	(73)	(237)	(302)	(268)
Exports	15	243	99	87	85
Imports	132	316	336	389	353
of which: Freight	(1,167)	(1,950)	(1,452)	(990)	(1,286)
Exports	428	481	380	444	416
Imports	1,595	2,431	1,832	1,434	1,702
of which: Other	(85)	(74)	(69)	(78)	(101)
Exports	132	167	180	99	80
Imports	217	241	249	177	181
Travel	<u>1,246</u>	<u>1,129</u>	<u>494</u>	<u>869</u>	<u>832</u>
Exports	2,554	2,134	1,723	1,740	1,464
Imports	1,308	1,005	1,229	871	632
Communication services	<u>(307)</u>	<u>(79)</u>	<u>113</u>	<u>224</u>	<u>393</u>
Exports	424	182	328	310	475
Imports	731	261	215	86	82
Construction services	<u>(108)</u>	<u>(27)</u>	<u>(235)</u>	<u>(95)</u>	<u>(15)</u>
Exports	58	97	64	28	50
Imports	166	124	299	123	65
Insurance services	<u>(30)</u>	<u>(96)</u>	<u>(75)</u>	<u>(247)</u>	<u>(252)</u>
Exports	51	66	48	35	54
Imports	81	162	123	282	308
Financial services	<u>(250)</u>	<u>(389)</u>	<u>(42)</u>	<u>(13)</u>	<u>4</u>
Exports	67	80	33	32	58
Imports	317	469	75	45	54
Computer and information services	<u>(38)</u>	<u>(18)</u>	<u>(61)</u>	<u>(25)</u>	<u>(16)</u>
Exports	57	76	22	21	25
Imports	95	94	83	46	41
Royalties and license fees	<u>(104)</u>	<u>(190)</u>	<u>(158)</u>	<u>(229)</u>	<u>(271)</u>
Exports	6	7	1	1	2
Imports	110	197	159	230	273

	<u>1999</u>	<u>2000</u>	<u>2001</u> (in millions)	<u>2002</u>	<u>2003⁽¹⁾</u>
Other business services	(1,672)	(595)	(320)	(139)	(232)
Exports	929	359	219	224	235
Imports	2,601	954	539	363	467
Merchanting and other trade-related services ..	(230)	(200)	16	29	(6)
Exports	186	59	24	35	11
Imports	416	259	8	6	17
Operational leasing services	(47)	(58)	(61)	(16)	(16)
Exports	15	23	10	7	7
Imports	62	81	71	23	23
Misc. business, professional and technical services	(1,395)	(337)	(275)	(152)	(210)
Exports	728	277	185	182	217
Imports	2,123	614	460	334	427
Personal, cultural and recreational	(81)	(87)	(42)	(10)	(5)
Exports	58	43	15	7	10
Imports	139	130	57	17	15
Audio-visual and related	(3)	(9)	(10)	(10)	(3)
Exports	14	15	6	6	10
Imports	17	24	16	16	13
Other personal, cultural and recreational services	(78)	(78)	(32)	0	(2)
Exports	44	28	9	1	0
Imports	122	106	41	1	2
Government services	1	19	34	18	(10)
Exports	24	37	36	27	16
Imports	23	18	2	9	26

Source: Bangko Sentral.

⁽¹⁾ Provisional.

In 1999, under the BPM5 framework, the services account recorded a net outflow of \$2.7 billion following higher service payments. Net outflows were noted in transportation, communication, construction, insurance, financial, computer and information, royalties and license fees, and other personal, cultural and recreational services with the exception of travel services, which recorded a net inflow of \$1.2 billion.

In 2000, the services trade account recorded a net outflow of \$2.4 billion, 10.4% lower than the net outflow of \$2.7 billion in 1999. This development was due to lower net outflows in communication, construction, miscellaneous business, professional and technical services, computer and information and other trade-related services.

In 2001, the services trade account recorded a net outflow of \$2.1 billion, 15.6% lower than the \$2.4 billion deficit recorded in 2000. The reduction in the deficit from 2001 was due mainly to the lower net outflows in freight following the decline in good imports, royalties and fees, financial services and other business services. The reversal in communication services account from a net outflow to a net inflow also contributed to the narrower deficit.

In 2002, the services trade account recorded a net outflow of \$1.0 billion, 50.4% lower than the level in the comparable period in 2001. The narrowing of the deficit was triggered by lower net payments for transportation services, construction services and miscellaneous business, professional and technical services.

Meanwhile, net receipts from travel services, which rose by 75.9% to \$869 million, helped trim the net outflow in the services account. The lower travel payments reflected in part the weaker peso and the Government program to promote local tourism.

In 2003, the trade-in-services account recorded a net outflow of \$1.2 billion, an increase of 20.6% over a net outflow of \$1.0 billion in 2002. The higher outflow was due to a decrease in travel receipts, reflecting the slowdown in the global economy, tension in the Middle East, the outbreak of SARS in East Asia and domestic security concerns, as well as a rise in freight payments.

Income. The following table sets out the Republic's income compiled in accordance with the BPM5 framework for the periods indicated. Prior to the adoption of the BPM5 framework, income was included in services trade. Entries with "zero" balances indicate either that there are no relevant transactions during the period or that the Republic has not yet begun to track and record the relevant entry.

INCOME

	<u>1999</u>	<u>2000</u>	<u>2001</u> (in millions)	<u>2002</u>	<u>2003⁽¹⁾</u>
Total income	<u>\$ 4,460</u>	<u>\$ 4,437</u>	<u>\$ 3,669</u>	<u>\$ 4,490</u>	<u>\$ 5,215</u>
Receipts	8,082	7,804	7,804	7,446	8,415
Disbursements	3,622	3,367	3,367	3,456	3,200
Compensation of employees, incl. border, seasonal and other workers	<u>6,794</u>	<u>6,050</u>	<u>6,031</u>	<u>7,189</u>	<u>7,640</u>
Investment income	<u>(2,334)</u>	<u>(1,613)</u>	<u>(2,362)</u>	<u>(2,699)</u>	<u>(2,425)</u>
Receipts	1,288	1,754	1,121	757	775
Disbursements	3,622	3,367	3,483	3,456	3,200
Direct investment income	(594)	(122)	(608)	(894)	599
Receipts	35	57	10	15	13
Disbursements	629	179	618	909	612
Income on equity	(554)	(66)	(527)	(872)	(538)
Receipts	35	57	10	15	13
Disbursements	589	123	537	887	551
Dividends and distributed branch profits	(184)	(240)	(654)	(653)	(538)
Receipts	35	57	10	15	13
Disbursements	219	297	664	668	551
Reinvested earnings and undistributed branch profits	(370)	(174)	(127)	(219)	0
Receipts	0	0	0	0	0
Disbursements	370	174	(127)	219	0
Income on debt (interest)	40	(56)	(81)	(22)	(61)
Receipts	0	0	0	0	0
Disbursements	40	56	81	22	61
Portfolio investment income	(622)	(571)	(545)	(744)	(796)
Receipts	451	645	634	425	543
Disbursements	1,073	1,216	1,179	1,171	1,339
Income on equity (dividends)	(22)	(8)	(23)	(16)	(49)
Receipts	16	8	6	0	0
Disbursements	38	16	29	(16)	(49)

	<u>1999</u>	<u>2000</u>	<u>2001</u> (in millions)	<u>2002</u>	<u>2003⁽¹⁾</u>
Income on debt (interest)	(600)	(563)	(522)	(728)	(747)
Receipts	435	637	628	425	543
Disbursements	1,035	1,200	1,150	1,153	1,290
Bonds and notes	(546)	(555)	(554)	(739)	(801)
Receipts	430	621	584	413	489
Disbursements	976	1,176	1,138	1,152	1,290
Monetary authorities	180	305	304	141	267
Receipts	266	443	417	297	417
Disbursements	86	138	113	156	150
General government	(575)	(586)	(642)	(701)	(716)
Receipts	0	0	0	0	0
Disbursements	575	586	642	701	(716)
Banks	35	0	0	0	0
Receipts	35	0	0	0	0
Disbursements	0	0	0	0	0
Other sectors	(186)	(274)	(216)	(179)	(352)
Receipts	129	178	167	116	72
Disbursements	315	452	383	295	424
Money market instruments	(54)	(8)	32	11	54
Receipts	5	16	44	12	54
Disbursements	59	24	12	1	0
Monetary authorities	(5)	(5)	0	0	0
Receipts	0	0	0	0	0
Disbursements	5	5	0	0	0
General government	0	0	0	0	0
Receipts	0	0	0	0	0
Disbursements	0	0	0	0	0
Banks	0	0	0	0	0
Receipts	0	0	0	0	0
Disbursements	0	0	0	0	0
Other sectors	(54)	(3)	32	11	54
Receipts	5	16	44	12	54
Disbursements	59	19	12	1	0
Other investment income	(1,118)	(920)	(1,209)	(1,061)	(1,030)
Receipts	802	1,052	477	317	219
Disbursements	1,920	1,972	1,686	1,378	1,249
Monetary authorities	129	227	(31)	(21)	(7)
Receipts	313	472	232	116	78
Disbursements	184	245	263	137	85
General government	(873)	(789)	(724)	(621)	(410)
Receipts	0	0	0	0	0
Disbursements	873	789	724	621	410

	<u>1999</u>	<u>2000</u>	<u>2001</u> (in millions)	<u>2002</u>	<u>2003⁽¹⁾</u>
Banks	(91)	56	(102)	(122)	(108)
Receipts	410	503	206	144	106
Disbursements	501	447	308	266	214
Other sectors	(283)	(414)	(352)	(297)	(505)
Receipts	79	77	39	57	35
Disbursements	362	491	391	354	540

(1) Provisional

In 2002, the surplus in the income account increased by 22.4% from its \$3.7 billion mark for 2001 to reach \$4.5 billion. In 2002, the investment income account yielded a net outflow of \$2.7 billion, which represented an increase of 14.3% from the net outflow recorded in 2001, as interest payments on portfolio and other investments fell with the continued drop in global interest rates.

Remittances from overseas Filipino workers amounted to \$7.2 billion in 2002, an increase of 19.2% from 2001. The income account's recorded surplus of \$4.5 billion was propelled by the 2.8% rise in the number of overseas Filipino workers, especially in the Middle East, Europe, and Asia. As the global economic slowdown affects some of the countries where Filipinos are working, the Government has intensified its marketing efforts to increase hiring of Filipinos abroad.

In 2003, the income account posted a net inflow of \$5.2 billion, a 16.1% increase from 2002. Remittances from overseas Filipino workers reached \$7.6 billion in 2003, an increase of 6.3% from 2002. Overall, receipts in the income account were up 5.9% for the year, while payments were down 7.4%.

Capital and Financial Account

Since the implementation of the BPM5 framework, the Capital and Financial Account is now divided into three categories: direct investments, portfolio investments and other investments. The following table sets out the Republic's direct investments compiled in accordance with the BPM5 framework for the periods indicated. Entries with "zero" balances indicate either that there are no relevant transactions during the period or that the Republic has not yet begun to track and record the relevant entry.

DIRECT INVESTMENTS

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(in millions)				
Total direct investments	<u>\$1,754</u>	<u>\$1,453</u>	<u>\$1,142</u>	<u>\$1,733</u>	<u>\$161</u>
Assets: Residents' investments abroad	<u>(29)</u>	<u>(108)</u>	<u>(160)</u>	<u>59</u>	<u>158</u>
Equity capital	(45)	(95)	(162)	51	130
Claims on affiliated enterprises	(45)	(95)	(162)	51	130
Placements	63	46	33	54	147
Withdrawals	108	141	195	3	17
Liabilities to affiliated enterprises	0	0	0	0	0
Reinvested earnings	0	0	0	0	0
Other capital	16	(13)	2	8	28
Liabilities: Non-residents' investments in the Philippines	<u>1,725</u>	<u>1,345</u>	<u>982</u>	<u>1,792</u>	<u>319</u>
Equity capital	1,145	1,024	628	1,467	226
Liabilities to direct investors	1,145	1,024	628	1,467	226
Placements	1,267	1,209	697	1,497	808
Withdrawals	122	185	69	30	582
Reinvested earnings	370	(174)	(127)	219	0
Other capital	210	495	481	106	93
Claims on direct investors	0	0	0	0	0
Liabilities to direct investors	210	495	481	106	93

Source: Bangko Sentral.

The following table sets out the Republic's portfolio investments compiled in accordance with the BPM5 framework for the periods indicated. Entries with "zero" balances indicate either that there are no relevant transactions during the period or that the Republic has not yet begun to track and record the relevant entry.

PORTFOLIO INVESTMENTS

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(in millions)				
Total portfolio investments	<u>\$ 6,874</u>	<u>\$ 207</u>	<u>\$1,050</u>	<u>\$1,122</u>	<u>\$ (706)</u>
Assets: Residents' investments abroad	<u>807</u>	<u>812</u>	<u>399</u>	<u>449</u>	<u>1,586</u>
Equity securities	55	42	4	26	43
Debt securities	752	770	395	423	1,543
Banks	319	363	341	341	694
Other sectors	433	407	54	115	849
Liabilities: Non-residents' investments in the Philippines	<u>7,681</u>	<u>1,019</u>	<u>1,449</u>	<u>1,571</u>	<u>880</u>
Equity securities	1,410	(183)	383	404	457
Debt securities	6,271	1,202	1,066	1,167	423
Monetary authorities	1,158	88	11	55	(149)
General Government	2,912	2,223	950	999	1,273
Banks	1,031	326	239	(336)	(185)
Other sectors	1,170	(1,435)	(134)	449	(516)

Source: Bangko Sentral.

The following table sets out the Republic's other investments compiled in accordance with the BPM5 framework for the periods indicated. Entries with "zero" balances indicate either that there are no relevant transactions during the period or that the Republic has not yet begun to track and record the relevant entry.

OTHER INVESTMENTS

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
	(in millions)				
Total other investments	<u>\$(10,953)</u>	<u>\$(5,817)</u>	<u>\$(3,260)</u>	<u>\$(4,480)</u>	<u>\$(4,795)</u>
Assets: Residents' investments abroad	<u>18,639</u>	<u>15,313</u>	<u>13,898</u>	<u>13,165</u>	<u>13,307</u>
Trade credits ⁽¹⁾	16,381	17,401	13,774	12,820	12,510
Loans ⁽²⁾	257	(1,307)	830	359	(243)
Currency and deposits	2,276	(759)	(509)	216	572
Banks	959	(936)	(1,098)	(490)	(734)
Other sectors	1,317	177	589	706	1,306
Other assets ⁽³⁾	(275)	(22)	(197)	(230)	468
Liabilities: Non-residents' investments in the Philippines	<u>7,686</u>	<u>9,496</u>	<u>10,638</u>	<u>8,685</u>	<u>8,512</u>
Trade credits ⁽¹⁾	9,958	10,260	10,981	9,953	9,667
Loans	575	354	178	(225)	(710)
Monetary authorities	0	51	177	(40)	201
Drawings ⁽⁴⁾	0	105	117	118	331
Repayments ⁽⁴⁾	0	54	50	158	130
General Government	340	(125)	16	(131)	(154)
Drawings ⁽⁴⁾	1,465	933	931	870	1,067
Repayments ⁽⁴⁾	1,125	1,058	915	1,001	1,221
Banks ⁽⁵⁾	626	(250)	(647)	920	68
Other sectors	(391)	678	692	(974)	(825)
Long-term	(494)	952	916	(780)	(940)
Drawings	2,610	2,428	3,142	1,030	1,232
Repayments	3,104	1,476	2,226	1,810	2,172
Short-term	103	(274)	(224)	(194)	115
Currency and deposits ⁽⁶⁾	(2,629)	(1,286)	401	(1,112)	(335)
Other Liabilities ⁽⁷⁾	(218)	168	(922)	69	(90)

Source: Bangko Sentral.

(1) All trade credits are short-term credits in non-governmental sectors.

(2) All loans are bank loans.

(3) All other assets are bank assets.

(4) Long-term loans.

(5) Short-term loans.

(6) All bank currency and deposits.

(7) All short-term bank liabilities.

Domestic macroeconomic policies and structural reforms have significantly affected the flow of foreign investment into the Philippines. The Foreign Investment Act of 1991, as amended, introduced a more favorable investment environment to the Philippines. The act permits foreigners to own 100% of Philippine enterprises, except in certain specified areas included in a “negative list” with respect to which the Constitution or applicable statute limits foreign ownership, generally to a maximum of 40% of the enterprise’s equity capital. The Constitution also prohibits foreign ownership in certain sectors, such as the media.

In 1999, net investment inflows declined by 29.4% to \$1.2 billion compared to \$1.7 billion in 1998. In 1999, under the BPM5 framework, a net outflow of \$2.3 billion was registered in the capital and financial account due to the net outflow of \$11.0 billion in the other investment accounts. The continued inflows of direct and portfolio investments, on the other hand, cushioned the impact of these outflows.

In 2000, under the BPM5 framework the net outflow in the capital and financial account reached \$4.1 billion, an increase of 76.6% from the net outflow of \$2.3 billion recorded in 1999. However, sustained net inflows of both direct and portfolio investments mitigated the contraction in the capital and financial account.

In 2001, the capital and financial account registered a net outflow of \$1.1 billion, an 73.8% improvement from the net outflow of \$4.1 billion recorded in 2000. The direct investment account posted a sustained net inflow, while the portfolio investment account gained strength as it made a turnaround to a net inflow of \$1.1 billion in 2001. Meanwhile, the cumulative net outflow in the other investment account of \$3.3 billion was 43.1% lower than the \$5.8 billion in 2000.

In 2002, the net outflow in the capital and financial account reached \$1.6 billion (including a net outflow of \$19 million from the capital account). The slight increase in the net inflow in the portfolio investment account to \$1.12 billion from a net inflow of \$1.05 billion in 2001 (due to success in the capital markets of the government and GOCCs) dampened the negative impact of the higher net outflow of other investment and the lower net inflow of direct investments.

In 2003, the net outflow in the capital and financial account was \$5.3 billion, compared to a net outflow of \$1.6 billion net outflow in 2002. This increased net outflow was due to the increased net outflow of other investments and the reversal in net portfolio investments from a net inflow to net outflow, reflecting a weakened global economy and the higher net repayment of loans.

The direct investment account posted a net inflow of \$161 million in 2003, a decline from the net inflow of \$1.7 billion in 2002. This decline was the result of the decline in non-residents’ investment in equity capital and the decline in new capital in 2003, including a divestment by a significant foreign investor and the deferral of several approved investments.

Portfolio investments in 2003 recorded a net outflow of \$706 million, a reversal from the net inflow of \$1.1 billion in 2002. Non-residents’ investments in debt securities contracted during this period, due to investors’ concerns over geopolitical uncertainties. The repayment of bonds and residents’ purchases of foreign-issued debt in the secondary market also contributed to the weaker portfolio investment account.

In 2003 the other investment account posted a \$4.8 billion net outflow, slightly higher than the \$4.5 billion outflow for 2002. The larger net outflow resulted from the higher net repayment of loans by banks, the national Government and private companies.

Over the past few years, the Government has undertaken a number of programs to encourage capital investment, including introducing build-operate-transfer programs, reforming the legal regimes governing foreign investment and the foreign exchange payment system and restructuring the tariff regime.

The Republic’s Board of Investments coordinates with national agencies and local Governments on investment policies and procedures and establishes and administers annual investment priority plans to promote certain sectors of the economy by providing special investment incentives to specific industries. The Government’s 2004 Investments Priorities Plan is working to sustain globally competitive industries as a means to generate jobs, provide food and deliver basic services.

In March 2000, the Retail Trade Liberalization Act was enacted. The law aims to promote efficiency and competition among domestic industries and foreign competitors and better service and lower prices for consumers. Prior to its enactment, only citizens of the Philippines and corporations wholly owned by Filipino citizens could own a retail business in the Philippines. Under the law, a foreigner is allowed to own 100% of a retail business in the Philippines provided it makes an investment of at least \$7.5 million in the Philippines. If a foreigner makes an investment of between \$2.5 million to \$7.5 million, the foreigner is allowed to own up to 60% of the retail business in the Philippines for the first two years.

The following table sets out foreign investment in the Philippines registered with Bangko Sentral by sector.

**FOREIGN EQUITY INVESTMENTS REGISTERED
WITH BANGKO SENTRAL BY SECTOR**

	1999	2000	2001	2002	2003
	(in millions)				
Banks and other financial institutions	\$ 258.3	\$ 483.9	\$476.4	\$ 153.0	\$ 530.5
Manufacturing	1,049.1	171.7	262.9	943.1	215.2
Mining	27.3	239.5	66.2	114.6	138.8
Commerce and real estate	166.3	62.3	23.2	26.6	57.7
Services	16.7	5.2	8.4	21.5	11.7
Public utilities	552.5	423.5	20.6	131.8	433.5
Others ⁽¹⁾	36.5	12.2	0.2	40.9	100.8
Total investments	<u>\$2,106.7</u>	<u>\$1,398.2</u>	<u>\$857.8</u>	<u>\$1,431.5</u>	<u>\$1,488.2</u>

Source: International Operations Department, Bangko Sentral.

(1) Includes construction and agriculture, fishery and forestry.

International Reserves

The following table sets out the gross international reserves of Bangko Sentral, compiled in a manner consistent with the revised balance of payments framework and the treatment of IMF accounts in the monetary survey published in the IMF's International Financial Statistics.

GROSS INTERNATIONAL RESERVES OF BANGKO SENTRAL

	As of December 31,					As of
	1999 ⁽¹⁾	2000 ⁽²⁾	2001 ⁽³⁾	2002	2003	March 31, 2004 ⁽⁴⁾
	(in millions, except months and percentages)					
Gold ⁽⁵⁾	\$ 1,782	\$ 1,973	\$ 2,216	\$ 3,036	\$ 3,408	\$ 3,317
SDRs	19	2	14	10	2	2
Foreign investments ⁽⁶⁾	12,881	12,371	12,786	12,570	12,782	12,366
Foreign exchange	222	565	520	437	544	492
Reserve position in the IMF ⁽⁷⁾	120	113	109	118	130	129
Total	<u>\$15,024</u>	<u>\$15,024</u>	<u>\$15,645</u>	<u>\$16,171</u>	<u>\$16,866</u>	<u>\$16,306</u>
Total as number of months of imports of goods and services	4.5	4.2	4.6	4.7	4.7	4.5
Total as a % of short-term debt						
Original maturity	303.6%	273.4%	260.8%	290.9%	273.0%	267.1%
Residual maturity	187.5	163.5	143.2	142.0	145.6	143.7

Source: International Operations Department, Bangko Sentral.

- (1) Represents official figures from Bangko Sentral's Treasury Department under the old system, which did not treat monetary gold (that is, gold available to monetary authorities for use in foreign exchange and other financial transactions) under the swap arrangements as part of gross international reserves.
- (2) Beginning January 2000, a new system was adopted, revising the treatment of monetary gold under swap arrangements, including it as part of gross international reserves. For purposes of comparison with 2000 data, the revised treatment of monetary gold (that is, gold available to monetary authorities for use in foreign exchange and other financial transactions) under the swap arrangements would have resulted in an upward adjustment of the gross international reserves level as of December 31, 1999 to \$15,107 million.
- (3) Beginning January 2001, Bangko Sentral has revised data on gross international reserves to treat offshore banking units as resident entities (rather than non-resident entities) in accordance with BPM5. Data for previous years is also subject to revision to reflect the change in treatment of offshore banking units.
- (4) Preliminary.
- (5) Of these amounts, 83.3% in 1999 served as collateral for gold-backed loans. Under the new accounting system adopted in 2000, 82.9% of the amount as of December 31, 2000, 85.7% as of December 31, 2001, 62.6% as of December 31, 2002 and 62.5% as of December 31, 2003 served as collateral for gold-backed loans and gold swap arrangements.
- (6) Consists of time deposits, investments in securities issued or guaranteed by government or international organizations and repurchase agreements.
- (7) The reserve position in the IMF is an off-balance sheet item and is recorded by Bangko Sentral's Treasury Department as a contingent asset with a matching contingent liability.

The gross international reserves controlled by Bangko Sentral constitute substantially all of the Philippines' official international reserves.

Bangko Sentral occasionally enters into options with respect to gold, foreign exchange and foreign securities for purposes of managing yield or market risk. It also enters into financial swap contracts to optimize yield on its gold reserves.

In 1999, gross international reserves increased significantly to reach \$15.0 billion as of the end of 1999, equivalent to 4.5 months of imports of goods and payment of services and income. The increase in reserve level was due to higher public sector borrowing, renewed private capital flows and stronger external trade performance. Among other reasons, the reserve level was increased by the Republic's \$1.2 billion global bond offerings in January and February 1999, \$350 million eurobond offering in March 1999, \$292 million global bond offering in October 1999 and \$400 million re-opening of its 2019 bonds in December 1999. Further, the IMF disbursed \$130 million under the stand-by facility in March 1999 and \$214 million in July 1999. In June 1999, the Republic refinanced the \$610 million syndicated loan facility it obtained in 1998 with three-year fixed and floating rate notes and, in December 1999, the Republic completed a \$260 million eurobond offering to partially refinance the \$610 million one-year loan.

In January 2000, Bangko Sentral revised its method of accounting for international reserves at the recommendation of the IMF. Under the previous accounting system, a gold swap transaction was treated as a sale of gold which reduced the amount of gold holdings. Under the revised system, a gold swap transaction is treated as a loan transaction collateralized by gold that remains a part of the international reserves. In addition, under the revised system, the accrued interest payable on Bangko Sentral's short-term liabilities is netted out of gross international reserves when calculating net international reserves, reducing the level of net international reserves.

As of December 31, 2000, gross international reserves stood at \$15.0 billion, equivalent to 4.2 months of imports of goods and payment of services and income. Major sources of foreign exchange inflows in 2000 were the Republic's \$1.6 billion Yankee bond offering in March, a \$500 million Bangko Sentral syndicated loan in April, a ¥35 billion Samurai bond offering and a \$400 million syndicated loan in October, a \$200 million private placement of Yen-denominated eurobonds in November and a \$200 million private placement of eurobonds in December. These inflows were partially offset by a decline in portfolio investments by non-residents from their 1999 levels. As of December 31, 2000, net international reserves totalled \$11.3 billion, compared to \$11.8 billion as of December 31, 1999 (after adjustment for the BPM5 framework).

As of December 31, 2001, gross international reserves rose to \$15.6 billion. The increase in gross international reserves during the year 2001 was attributed mainly to foreign exchange inflows arising from

various foreign loans and bond flotations. The various loans and bond flotations include, among others, the Republic's \$199 million Floating Rate Notes due 2004; the Republic's \$100 million Facility Loan Agreement; the Republic's \$220 million cross currency swap; the Republic's \$119 million Treasury Bills to pre-fund the Government's 2002 requirements; the Asian Development Bank ("ADB") Non-Bank Financial Program Loan of \$75 million; the ADB Power Sector Loan of \$100 million; the Republic's \$444 million Fixed Rate Bonds due 2006; the Republic's Shibosai \$365 million Fixed Rate Guaranteed Bonds due 2011; Bangko Sentral's \$740 million 3-year Term Loan Facility; Bangko Sentral's \$200 million Floating Rate Notes due 2003; Bangko Sentral's \$550 million 9% Notes due 2005 and Bangko Sentral's \$700 million loan from other foreign financial institutions. The impact of these inflows was partly mitigated by the servicing of foreign exchange requirements of the Government and Bangko Sentral. Net international reserves totaled \$11.4 billion as of December 31, 2001.

Bangko Sentral's gross international reserves rose to \$16.2 billion as of December 31, 2002. This was a 3.3% increase as compared to the level at the end of December 2001 of \$15.7 billion. The increase in gross international reserves during the period was due mainly to foreign exchange inflows in the form of foreign loans and bond issuances by the Treasury. However, these were partly offset by outflows to meet the foreign exchange requirements of Bangko Sentral and the Republic. At December 31, 2002, Bangko Sentral's gross international reserves were adequate to cover 4.7 months' worth of imports of goods and payment of services and income. The level of reserves was 2.9 times the amount of the country's short-term external debt based on original maturity or, alternatively, 1.4 times the amount of short-term external debt based on residual maturity. In 2002, the majority of reserves consisted of foreign investments (77.7%), while the balance consisted of gold (18.8%), foreign exchange (2.8%), and combined SDRs and reserve position in the IMF (0.7%). Reserves (other than gold) were held in the following foreign currencies: US dollars (92.0%), Japanese yen (3.7%), pounds sterling (1.7%) and the balance (2.6%) in other foreign currencies.

As of December 31, 2003, gross international reserves were \$16.9 billion, 4.3% higher than the end-December 2002 level of \$16.2 billion. The increase was largely due to the Government's pre-funding of some of its 2004 financing requirements. The gross international reserves remained broadly above the \$16.0 billion mark throughout the year on account of major inflows from the following sources: deposit by the Government of the proceeds from bond and note issuances and other borrowings; loan availments by the BSP; and investment income. Reserves were used mainly to service the Government's maturing foreign debt obligations as well as the BSP's own foreign exchange requirements. A large part of reserves was in the form of foreign investments (75.8%), with the balance in gold (20.2%), foreign exchange (3.2%) and combined SDRs and reserve position in the IMF (0.8%). By currency composition of reserves (excluding gold), 83.8% were in US dollars, 8.2% in euros, 5.0% in Japanese yen, 1.8% in pounds sterling and 1.2% in other foreign currencies.

Gross international reserves as of December 31, 2003 were adequate to cover 4.7 months of imports of goods and payments of services and income. Alternatively, gross international reserves were adequate to cover 2.9 times the Republic's short-term external obligations based on original maturity or 1.5 times the Republic's short-term external obligations based on residual maturity.

Net international reserves, as defined by Bangko Sentral, excludes from gross international reserves both short-term foreign exchange liabilities and IMF credits. Bangko Sentral's net international reserves stood at \$13.9 billion as of December 31, 2003, higher than the \$12.8 billion as of December 31, 2002.

The Republic's gross international reserves stood at \$16.3 billion as of end-March 2004, lower than the \$16.9 billion level of reserves as of end-December 2003. Reserves declined from December 2003 because of debt service requirements of the Government and Bangko Sentral.

Gross international reserves as of end-March 2004 were adequate to cover 4.5 months of imports of goods and payments of services and income. Alternatively, gross international reserves were adequate to cover 2.7 times the Republic's short-term external obligations based on original maturity or 1.4 times the Republic's short-term external obligations based on residual maturity.

The Republic's net international reserves stood at \$13.6 billion as of end-March 2004, lower than the \$13.9 billion as of end-December 2003.

The preceding figures were not affected by the revised import data reported by the inter-agency task force on the balance of payments. See “Balance of Payments — Recent Revisions”.

Monetary System

Monetary Policy. In 1993, the Government established Bangko Sentral, the Republic’s central bank, pursuant to the New Central Bank Act. Bangko Sentral replaced the old Central Bank of the Philippines, which had incurred substantial deficits in connection with:

- quasi-fiscal activities, including entering into foreign exchange forward cover contracts and swaps with certain banks and Government corporations and assuming the foreign exchange liabilities of certain Government and private corporations during the Philippines’ foreign exchange crisis in the early 1980s;
- development banking and financing; and
- open market operations financed by the issuance of domestic securities at high interest rates.

Bangko Sentral functions as an independent central monetary authority responsible for policies in the areas of money, banking and credit, as authorized under the New Central Bank Act. The New Central Bank Act prohibits Bangko Sentral from engaging in quasi-fiscal activities, commercial banking or development banking or financing. Additionally, Bangko Sentral does not engage in any commercial banking activities.

Bangko Sentral’s primary objectives are to maintain price stability, monetary stability and the convertibility of the peso. To achieve its price stability objective, Bangko Sentral undertakes monetary management mainly through adjustments to policy rates and the conduct of open market operations, including the purchase and sale of Government securities, rediscounting transactions and adjustments in reserve requirements.

Bangko Sentral’s functions include:

- conducting monetary policy;
- issuing the national currency;
- managing foreign currency reserves;
- acting as depository for the Government, its political subdivisions and instrumentalities and Government-owned corporations; and
- regulating banks and quasi-banks in the Philippines.

The Government owns all of the capital stock of Bangko Sentral. A seven member Monetary Board, comprised of Bangko Sentral’s Governor, a member of the Cabinet designated by the President and five full-time private sector representatives, governs Bangko Sentral. The President appoints each of the seven Monetary Board members, except the Cabinet representative, to six-year terms.

Philippine law requires Bangko Sentral to maintain a net positive foreign asset position. As of December 31, 2003, Bangko Sentral had total assets of ₱1,358.3 billion, of which international reserves accounted for ₱930.6 billion. Bangko Sentral’s remaining assets consist mainly of foreign exchange receivables, loans and advances and Government securities, and its liabilities consist mainly of deposits of financial institutions, the Government and Government-owned corporations and foreign liabilities in the form of loans and bonds payable.

Money Supply. The following table presents certain information regarding the Philippines' money supply:

	MONEY SUPPLY					As of February 29, 2004 ⁽¹⁾
	As of December 31,					
	1999	2000	2001	2002	2003	
	(in billions, except for percentages)					
M1 ⁽²⁾						
Currency in circulation	₱ 218.5	₱ 192.3	₱ 194.7	₱ 220.0	₱ 238.6	₱ 213.7
Current account deposits	175.6	194.7	193.3	250.0	271.7	269.4
Total	394.1	387.0	388.0	470.1	510.3	483.2
percentage increase (decrease) . .	40%	(1.8)%	0.3%	21.2%	8.6%	9.2%
M2 ⁽³⁾	₱1,357.9	₱1,423.2	₱1,521.1	₱1,666.3	₱1,721.5	₱1,688.2
percentage increase	19.3%	4.8%	6.9%	9.6%	3.3%	4.4%
M3 ⁽⁴⁾	₱1,365.1	₱1,427.0	₱1,525.0	₱1,669.7	₱1,725.0	₱1,691.7
percentage increase	19.3%	4.6%	6.8%	9.5%	3.3%	4.4%

Source: Bangko Sentral, Department of Economic Research.

(1) Preliminary.

(2) Consists of currency in circulation and demand deposits.

(3) Consists of M1, savings deposits and time deposits.

(4) Consists of M2 and deposit substitutes.

The Republic's money supply, as measured by domestic liquidity (M3), was ₱1.7 trillion as of December 31, 2003, a 3.3% increase from December 31, 2002. This rate of growth in money supply was lower than the 9.5% growth from December 31, 2001 to December 31, 2002. The decrease in growth through December 2003 was attributed to the continuing effects of the increase in the liquidity reserve requirement for banks, the removal of the tiering scheme on banks' placements under the Bangko Sentral's Reverse Repurchase Facility, and a shift in deposits from peso accounts to foreign currency accounts.

The Republic's money supply, as measured by domestic liquidity (M3), remained at approximately ₱1.7 trillion as of end-February 2004.

The following table presents information regarding domestic interest and deposit rates.

	DOMESTIC INTEREST AND DEPOSIT RATES					
	1999	2000	2001	2002	2003	2004 ⁽¹⁾
	(weighted averages in percentages per period)					
91-day Treasury bill rates	10.2	9.9	9.9	5.4	6.0	6.4
90-day Manila Reference rate ⁽²⁾	10.1	8.8	10.1	6.4	9.8	10.4
Bank average lending rates ⁽³⁾	11.8	10.9	12.4	8.9	9.5	9.4

Source: Bangko Sentral, Department of Economic Research.

(1) First three months.

(2) Based on promissory notes and time deposit transactions of sample commercial banks.

(3) Starting in January 2002, monthly rates reflect the annual percentage equivalent of all commercial banks' actual monthly interest income on peso-denominated loans to the total outstanding levels of their peso-denominated demand/time loans, bills discounted, mortgage contract receivables and restructured loans.

Monetary Regulation

In 1999, as Asian economies recovered more fully from the 1997 financial crisis, Bangko Sentral adopted measures to reduce inflation and lower interest rates. In particular, Bangko Sentral decreased the liquidity reserve requirement from 5% to 4% in April 1999 in order to lower bank intermediation costs and thereby reduce the banks' domestic lending rates. As the inflation rate eased from 11.5% in January 1999 to 6.7% for the full-year 1999, Bangko Sentral gradually reduced its overnight borrowing rate from 13.375% at the start of the year to 8.75% at the end of the year, and reduced its overnight lending rate from 15.375% at the start of the year to 12.0% at the end of the year. This was followed by a reduction in bank lending rates, from a range of 18.1% to 21.5% in 1998 to a range of 12.6% to 16.0% in 1999. The 91-day Treasury bill rate declined steadily from 13.2% in January to 8.4% in August, before rising again to 8.9% in December amid uncertainty over potential Y2K disruption.

In 2000, Bangko Sentral sought to encourage price stability in the face of threats to the Philippine economy, including a growing fiscal deficit, political uncertainty related to the impeachment trial of former President Estrada, renewed fighting with rebel groups and instability in oil prices. The average inflation rate in 2000 declined to 4.4% from the 1999 average rate of 6.7%; however, inflation rose in the second half of 2000 to reach 6.7% in December 2000, largely because of a sharp decline in the value of the peso and the tightened monetary policy of the US Federal Reserve. To help contain inflation, in October 2000, Bangko Sentral increased the overnight borrowing rate and the overnight lending rate (the "policy rates") to 15.0% and 17.25%, respectively, from 8.75% and 11% in January 2000. In October 2000, Bangko Sentral also increased banks' liquidity reserve requirements by 4 percentage points to curb speculation in the foreign exchange market. As a result of these tightening moves, the average 91-day Treasury bill rate rose from 8.9% in January to 15.8% in November. The temporary tightening measures also helped to slow the growth in the inflation rate and stabilize the foreign exchange market. In December 2000, Bangko Sentral began a gradual easing of the monetary policy stance by reducing the policy rates by a total of 150 basis points to 13.5% and 15.75% from the October 2000 levels of 15.0% and 17.25%. This induced a decline in interest rates, with the 91-day Treasury bill rate falling to 13.6% in December 2000.

In the first part of 2001, Bangko Sentral policy generally accommodated the gradual slowdown in inflation while also seeking to ensure adequate liquidity. From January to May 2001, Bangko Sentral reduced policy rates by a total of 450 basis points. These rates remained unchanged from May 18 to October 4, 2001. In July and August 2001, Bangko Sentral raised banks' liquidity reserve requirement from 7% to 11%, and also reduced, from \$10,000 to \$5,000, the amount of US currency an individual could buy over-the-counter from banks without documentation. The measures were intended to siphon excess liquidity in the economy that could lead to higher inflation or be used to speculate on the peso. In another measure to help ease pressure on the peso, the tiering system on banks' overnight placements with Bangko Sentral (initially adopted in June 2000) was temporarily removed in August 2001.

In the months following the terrorist attacks of September 11, 2001, the Bangko Sentral made no major changes to monetary policy, but continued to encourage bank lending and economic growth. In November 2001, the tiering structure for banks' overnight placements with Bangko Sentral was put back into place, and in December 2001, the rates under the tiering structure were modified to 7.75% for placements of up to ₱5 billion, 5.75% for the next ₱5 billion, and 3.75% for placements in excess of ₱10 billion. Bangko Sentral further reduced policy rates in the fourth quarter of 2001, resulting in a cumulative reduction of 575 basis points from December 2000. The reduction in policy rates in December was accompanied by a two percentage point reduction in banks' liquidity reserve requirements intended to encourage a further reduction in market interest rates. At the end of 2001, the overnight borrowing rates and lending rates stood at 7.75% and 10.0%, respectively. Also, by December 2001, the 91-day Treasury bill rate had declined to a monthly average of 8.9% from a monthly average of 13.6% in December 2000.

During the first three months of 2002, Bangko Sentral reduced policy rates a total of 75 basis points to 7.0% and 9.25% for the overnight borrowing and lending rates, respectively. These were the lowest levels in the central bank's policy rates in 10 years. In January 2002, Bangko Sentral also reduced the liquidity reserve requirement by 2 percentage points to 7.0%, a move which restored liquidity reserves to their pre-July 2001

level. In March 2002, the tiered rates for banks' overnight placements with Bangko Sentral were lowered to 7.0% for placements of up to ₱5 billion, 4.0% for the next ₱5 billion, and 1.0% for placements in excess of ₱10 billion. To induce banks to channel the additional liquidity into lending for productive activities, the tiering scheme was also modified to cover placements in special deposit accounts.

During the last nine months of 2002, Bangko Sentral kept policy rates unchanged. Although the inflation rate declined to its lowest level since 1987, monetary authorities recognized inflationary risks stemming from the Government's increased fiscal deficit and instability in the Middle East. At the end of 2002, the overnight borrowing and lending rates remained unchanged from March 2002 at 7.0% and 9.25%, respectively. By December 2002, the 91-day Treasury bill rate had declined further to an average of 5.2% from an average of 8.9% in December 2001.

In 2003, Bangko Sentral has pursued a monetary policy targeting inflation. The 2003 inflation of 3.1% was below the Government's target for 2003 of 4.5%–5.5%. On March 17, 2003, in a measure intended to increase liquidity in the credit markets, Bangko Sentral approved guidelines that would allow local banks to issue US-dollar denominated unsecured subordinated debt, in addition to such debt denominated in pesos. On March 20, 2003, Bangko Sentral removed the tiering structure to avoid inflationary risks caused by a decline in the relative value of the peso. Also, on March 21, 2003, Bangko Sentral raised banks' liquidity reserve requirement to 8.0%. On July 2, 2003, Bangko Sentral lowered its policy rates by 25 basis points to 6.75%, their lowest levels since 1992. At the same time, the tiered rates for banks' overnight placements with Bangko Sentral were reinstated as follows: 6.75% for placements of up to ₱5 billion, 3.75% for the next ₱5 billion, and 0.75% for placements in excess of ₱10 billion. However, on August 28, 2003, Bangko Sentral again removed the tiering structure on rates for overnight placements. The overnight borrowing and lending rates currently stand at 6.75% and 9.0%, respectively.

With effect from February 6, 2004, to address the potential inflationary impact of volatility in the foreign exchange market, Bangko Sentral increased the liquidity reserve requirement to 10 percent.

In recent months, domestic market interest rates increased slightly on concerns over political uncertainties related to the May 2004 election. The 91-day Treasury bill rate was at 7.616% during the March 15, 2004 auction, higher than the average of 6.0% in 2003 and 5.4% in 2002.

Commercial bank lending rates also eased steadily over the past five years, from an average range of 12.6–16.0% in 1999, 12.9–15.6% in 2000, 13.7–15.3% in 2001, 8.7–10.4% in 2002 and 8.9–10.8% in 2003. In March 2004, commercial bank lending rates ranged from 9.9% to 11.8%.

Foreign Exchange System. The Republic maintains a floating exchange rate system under which market forces determine the exchange rate for the peso. Bangko Sentral may, however, intervene in the market to maintain orderly market conditions and limit sharp fluctuations in the exchange rate.

The following table sets out exchange rate information between the peso and the US dollar.

EXCHANGE RATES OF PESO PER US DOLLAR

<u>Year</u>	<u>Period End</u>	<u>Period Average⁽¹⁾</u>
1999.....	40.313	39.089
2000.....	49.998	44.194
2001.....	50.404	50.993
2002.....	53.096	51.604
2003.....	55.569	54.203
2004 (first three months).....	56.357	55.966

Source: Reference Exchange Rate Bulletin, Treasury Department, Bangko Sentral.

(1) The average of the monthly average exchange rates for each month of the applicable period.

Foreign exchange may be freely sold and purchased outside the banking system and deposited in foreign currency accounts. Both residents and non-residents may maintain foreign currency deposit accounts with authorized banks in the Philippines, and residents may maintain deposits abroad without restriction.

Payments related to foreign loans registered with Bangko Sentral and foreign investments approved by or registered with Bangko Sentral may be serviced with foreign exchange purchased from authorized agent banks. Bangko Sentral must approve and register all outgoing investments by residents exceeding \$6 million per investor per year if the funds will be sourced from the banking system. For a discussion of Bangko Sentral's loan approval regime, see "The Philippine Financial System — Foreign Currency Loans".

While the Government imposes no currency requirements for outgoing payments, all exchange proceeds from exports, services and investments must be obtained in any of 22 prescribed currencies. Authorized agent banks may convert the acceptable currencies to pesos.

Individual or corporate non-residents may open peso bank accounts without Bangko Sentral's approval. The export or electronic transfer out of the Philippines of peso amounts exceeding ₱10,000 requires prior authorization from Bangko Sentral.

The value of the peso relative to the US dollar and other foreign currencies declined substantially in 1997 and early 1998. Bangko Sentral initially responded to the peso depreciation in July 1997 by increasing its sales of US dollars and raising interest rates. When sales of pesos remained stronger than expected, Bangko Sentral allowed the peso to float on July 11, 1997. The value of the peso then declined over time, reaching a low of ₱45.42 per US dollar on January 8, 1998. As the Government implemented various monetary and fiscal policies to curb speculation and restore confidence in the economy, the peso began to strengthen. On December 31, 1998, Bangko Sentral's reference exchange rate was ₱39.06 per US dollar and on December 31, 1999, the exchange rate was ₱40.31 per US dollar.

In 2000, the peso's value declined significantly. For the first four months of 2000, the peso-dollar rate was relatively stable, averaging ₱40.78 per US dollar. However, the exchange rate began to exhibit volatility starting in mid-May and exceeded ₱45.00 per US dollar on July 27, 2000. It reached a record average low of ₱51.68 per US dollar in November 2000. The peso recovered briefly in November, bringing the rate up to ₱49.39 per US dollar on November 29, 2000. This trend, however, was not sustained as the peso depreciated to an average of ₱49.99 per US dollar by the end of 2000. The weakness of the peso in 2000 was attributed mainly to the rise in US interest rates, concerns over the rising fiscal deficit, the conflict in Mindanao, and the ensuing political uncertainties surrounding the impeachment trial of former President Estrada.

The peso depreciated further in 2001. From ₱50.00 per US dollar at end-2000, transitory shocks caused the peso to reach a low of ₱55.01 per US dollar on January 19, 2001. The peso strengthened thereafter and was relatively stable for most of February and March. From early April, however, the peso traded in the ₱50–₱51 per US dollar range. The pressure on the peso again intensified starting late June until the first week of August, but the peso subsequently appreciated to an average of ₱51.25 per US dollar in September, from an average of ₱53.22 per US dollar in July. The peso weakened again starting the second week of October before appreciating towards the latter part of December as market conditions stabilized. Overall, during 2001 the peso depreciated by 13.8% compared to the average peso-dollar exchange rate for 2000. The fluctuations in the peso-dollar rate during 2001 were caused by the political crisis involving the impeachment proceedings of the former President, the economic slowdown in the US and in Japan and heightened uncertainty after the September 11 terrorist attacks in the United States.

Since reaching ₱49.34 per US dollar on May 20, 2002, the peso has steadily depreciated. The peso declined in value from ₱53.25 per US dollar at the end of December 2002 to a monthly average of ₱53.40 per US dollar in June 2003, then depreciated further to ₱55.53 per US dollar on August 27, 2003. The peso continued to depreciate through the end of 2003, to an average of ₱55.45 per US dollar in December 2003, compared to an average of ₱53.52 per US dollar in December 2002. The average value of the peso in 2003 was ₱54.20 per US dollar, representing a depreciation of 4.8% from the average value in 2002 of ₱51.60 per US dollar. The weakening of the peso in 2003 could be attributed to concerns over the budget deficit, political and security concerns related to the May 2004 national election and the conflict in Mindanao, downgrades in

the Republic's external currency credit rating, the weak global economic outlook, higher demand for US dollars by Philippines oil companies in order to fund their inventory build-up, and regional tensions involving North Korea.

During the first three months of 2004 the peso continued to depreciate. The average value of the peso during the three-month period was ₱55.97 per US dollar, representing a 2.53% depreciation compared to the first three months of 2003. The decline is attributable to increased demand for US dollars by companies to cover import requirements and service obligations, lower remittance inflows by overseas Filipino workers, and a decision by Moody's Investors Service to downgrade the Republic's credit rating.

On April 13, 2004, the peso to US dollar exchange rate was ₱56.18 per US dollar, reflecting a 1.1% decrease in the value of the peso from the end of December 2003.

Stabilization of the Peso. Since it allowed the peso to float on July 11, 1997, Bangko Sentral has intervened minimally in the foreign exchange market. It has, however, adopted measures related to foreign exchange trading aimed to reduce currency speculation and combat money laundering. These measures include:

- requiring prior approval of Bangko Sentral to sell non-deliverable forward contracts to non-residents (Bangko Sentral believes that speculators used non-deliverable forward contracts to increase artificially the demand for foreign currency);
- reducing banks' permitted long or overbought foreign exchange position to the lower of \$5 million or 2.5% of unimpaired capital (the accompanying 20% limit on banks' short or oversold foreign exchange position has been lifted, subject to periodic review by Bangko Sentral, to increase the foreign exchange available in the market);
- limiting the types of forward contracts that can be used as deductions when valuing a bank's overbought foreign exchange position;
- requiring banks to consolidate their foreign exchange accounts with those of their subsidiaries when calculating net open foreign exchange positions;
- decreasing the maximum amount of foreign exchange that banks can sell over-the-counter on an undocumented basis to \$5,000 from \$10,000;
- prohibiting banks from extending peso loans to non-residents; and
- requiring banks to periodically report significant foreign exchange purchases and sales. See “— The Philippine Financial System — Structure of the Financial System.”

In January 2000, Bangko Sentral imposed a 90-day minimum holding period for foreign investments placed in peso time deposits with Philippine banks to tighten its monitoring of the foreign exchange market and discourage the inflow of short-term speculative funds. The holding period applies only to peso time deposits and not to other investments such as equities, government securities or commercial paper. Peso time deposits that are terminated within the 90-day period will not be converted by Philippine banks to foreign currency, but may be transferred to other peso-denominated investments.

In October 2000, Bangko Sentral introduced guidelines on the foreign exchange trading activities for foreign exchange corporations or corporations that are subsidiaries or affiliates of banks, quasi-banks or non-bank intermediaries. Under the guidelines, foreign exchange corporations must document aggregate sales of foreign exchange of more than \$10,000 to Philippine residents. Bangko Sentral also increased the minimum paid-in capital for foreign exchange corporations to ₱50 million. In October 2000, Bangko Sentral also expressly prohibited banks from engaging in engineered swap transactions because Bangko Sentral believes these transactions contributed to the volatility of the peso-US dollar exchange rate during 2000.

In 2001 and 2002, Bangko Sentral implemented the following measures to address dollar speculation and exchange rate volatility:

- in August 2001, it expanded the eligibility rules of the currency risk protection program to include registered foreign currency-denominated bonds and foreign currency deposit loans with remaining tenors up to five years or with original maturities up to one year; US dollar trust receipts; foreign currency import bills and customers' liabilities under acceptances; and trade transactions of clients other than oil companies. The coverage of the currency risk protection program was further expanded in September 2001 to include registered short-term trade-related borrowings of oil companies from offshore banking units and offshore banks;
- it reduced the ceiling on undocumented over-the-counter sales of foreign exchange to \$5,000 to prevent abuse through the splitting of foreign exchange sales;
- it increased fines and imposed non-monetary sanctions for violations of foreign exchange rules; and
- it required, effective January 1, 2002, any person who brings foreign currency valued at more than \$10,000 into or out of the Philippines to document the source and purpose of the transport of such currency.

In the first half of 2003, Bangko Sentral adopted a number of measures designed to mitigate expected downward pressure on the peso:

- In March 2003, the tenor of forward contracts was limited to a maximum of six months. However, this limit was modified on September 30, 2003, such that the maturity of forward or swap contracts may not be later than the maturity of the underlying foreign exchange obligation or the approximate due date or settlement of the foreign exchange exposure.
- On March 13, 2003, the allowable overbought position of banks was reduced to 2.5% of unimpaired capital or US\$5 million, whichever is lower.
- Sanctions were imposed against banks for violation of Bangko Sentral's foreign exchange regulations.

In the second half of 2003 and the first quarter of 2004, Bangko Sentral adopted further measures designed to curb the downward pressure on the peso, to moderate market volatility and to preserve overall stability of the financial markets amid the political uncertainties surrounding the national election in May 2004:

- In September 2003, to guard against the use of derivative products in ways that would destabilize the foreign exchange market, Bangko Sentral established documentary requirements for foreign exchange forward and swap transactions. Under these requirements, parties to certain foreign exchange transactions are required to provide supporting documents to demonstrate that the transaction is for a genuine trade purpose.
- On October 28, 2003, Bangko Sentral required persons bringing foreign currency into or out of the Philippines in excess of US\$10,000 or its equivalent to submit relevant documentation to the Anti-Money Laundering Council rather than Bangko Sentral.
- In December 2003, Bangko Sentral adopted measures to address the interest rate and foreign exchange risks brought about by US dollar-linked peso notes.
- In February 2004, Bangko Sentral issued policy guidelines on the conversion and transfer of foreign currency-denominated loans to prevent losses to unhedged borrowers due to the depreciation of the peso.
- With effect from February 6, 2004, Bangko Sentral increased the liquidity reserve requirement for commercial banks from 8 percent to 10 percent.

The Philippine Financial System

Composition. The following table sets out the total assets of the Philippine financial system by category of financial institution.

TOTAL ASSETS OF THE FINANCIAL SYSTEM⁽¹⁾

	As of December 31,				
	1999	2000	2001 (in billions)	2002 ⁽²⁾	2003 ⁽²⁾
Banks					
Commercial banks	₱2,722.3	₱3,013.6	₱3,070.5	₱3,250.2	₱3,419.3
Thrift banks	223.5	245.8	259.0	262.0 ⁽²⁾	274.1 ⁽³⁾
Rural banks	61.9	67.4	73.8	83.5	89.4 ⁽⁴⁾
Total banks	3,007.7	3,326.8	3,403.3	3,595.7	N/A
Non-bank financial institutions	733.6	697.2	696.3	730.2 ⁽²⁾	767.5 ⁽⁴⁾
Total assets	₱3,741.3	₱4,024.0	₱4,099.6	₱4,325.9	N/A

Source: Bangko Sentral

(1) Excludes assets of Bangko Sentral.

(2) Preliminary.

(3) As of October 31, 2003.

(4) As of September 30, 2003.

The Philippine financial system consists of banks and non-bank financial institutions. Banks include all financial institutions that lend funds obtained from the public primarily through the receipt of deposits. Non-banks include financial institutions other than banks which lend, invest or place funds, or at which evidences of indebtedness or equity are deposited with or acquired by them, either for their own account or for the account of others. Non-bank financial institutions may have quasi-banking functions. Quasi-banking functions include borrowing money to relend or purchase receivables and other obligations by issuing, endorsing or accepting debt or other instruments or by entering into repurchase agreements with 20 or more lenders at any one time.

The Supervision and Examination Sector of Bangko Sentral supervises all banks and non-banks with quasi-banking functions, including their subsidiaries and affiliates engaged in related activities, with Bangko Sentral's Monetary Board having ultimate supervisory authority.

Structure of the Financial System. The Philippine financial system is comprised of commercial banks, thrift banks, rural banks and non-bank financial institutions. Each type of bank participates in distinct business activities and geographic markets.

Commercial banks:

- accept drafts;
- issue letters of credit, promissory notes, drafts, bills of exchange and other evidences of indebtedness;
- receive deposits;
- buy and sell foreign exchange and gold and silver bullion; and
- lend money on a secured or unsecured basis.

Expanded commercial banks, otherwise known as universal banks, in addition to regular commercial banking activities, may also engage in investment banking activities, invest in non-bank businesses and own allied financial undertakings other than commercial banks. As of December 31, 2003, the country had 42 commercial banks, with 4,254 branch offices.

The following table sets out the outstanding loans of commercial banks classified by sector.

COMMERCIAL BANKS' OUTSTANDING LOANS BY SECTOR

	As of December 31,										As of January 31,	
	1999		2000		2001		2002		2003		2004	
	(in millions, except percentages)											
Agriculture, fishery and forestry.....	₱58,859	4.3%	₱62,101	4.3%	₱56,823	4.1%	₱72,428	5.1%	₱78,877	5.3%	₱74,514	5.1%
Mining and quarrying	16,466	1.2	21,166	1.5	19,890	1.4	14,448	1.0	14,111	1.0	25,190	1.7
Manufacturing	382,267	28.2	404,224	27.8	372,906	26.7	379,404	26.5	367,538	29.9	354,325	24.4
Electricity, gas and water	53,274	3.9	75,398	5.2	70,359	5.0	71,372	5.0	64,608	4.3	65,635	4.5
Construction	53,384	4.0	46,949	3.2	42,151	3.0	35,390	2.5	36,014	2.4	44,006	3.0
Wholesale and retail	203,177	15.0	201,233	13.9	210,306	15.0	206,215	14.4	210,639	14.2	200,264	13.8
Transportation, storage and communication	91,024	6.7	99,653	6.9	83,068	5.9	71,947	5.0	77,802	5.2	74,386	5.1
Financial institutions, real estate and business services	342,673	25.3	386,797	26.6	359,199	25.7	380,739	26.6	396,862	26.7	389,018	26.8
Community, social and personal services	153,104	11.3	153,983	10.6	184,534	13.2	200,719	14.0	241,296	16.2	226,096	15.6
Total	<u>₱1,354,228</u>	<u>100.0%</u>	<u>₱1,451,504</u>	<u>100.0%</u>	<u>₱1,399,236</u>	<u>100.0%</u>	<u>₱1,432,663</u>	<u>100.0%</u>	<u>₱1,487,747</u>	<u>100.0%</u>	<u>₱1,453,434</u>	<u>100.0%</u>

Source: Bangko Sentral.

Thrift banks invest their capital and the savings of depositors in:

- financings for homebuilding and home development;
- marketable debt securities;
- commercial paper and accounts receivable, drafts, bills of exchange, acceptances or notes arising out of commercial transactions; or
- short-term working capital and medium and long-term loans to small and medium-sized businesses and individuals engaged in agriculture, services, industry, housing and other financial and allied services in its market.

As of December 31, 2003, the country had 92 thrift banks, with 1,185 branch offices.

Rural banks extend credit in the rural areas on reasonable terms to meet the normal credit needs of farmers, fishermen, cooperatives and merchants and, in general, the people in the rural communities. As of December 31, 2003, the country had 765 rural banks, with 1,156 branch offices.

The specialized Government banks are the Development Bank of the Philippines, the Land Bank of the Philippines and the Al-Amanah Islamic Investment Bank of the Philippines. The Development Bank generally provides banking services to meet the medium and long-term needs of small and medium-sized agricultural and industrial enterprises, particularly in rural areas. The Land Bank primarily provides financial support for agriculture and all phases of the Republic's agrarian reform program. The Development Bank and the Land Bank may also operate as universal banks. The Al-Amanah Islamic Investment Bank promotes the development of the Autonomous Region of Muslim Mindanao by offering banking, financing and investment services based on Islamic banking principles and rulings.

Non-bank financial institutions are primarily long-term financing institutions, though they also facilitate short-term placements in other financial institutions. As of March 31, 2003, Bangko Sentral regulated or supervised 28 investment houses, 33 finance companies, 18 security dealers/brokers, 5,451 pawnshops, 10 investment companies, five lending investors, 85 non-stock savings and loan associations, seven venture capital corporations, two Government non-bank financial institutions and eight credit companies.

The following table provides information regarding non-performing loans for the banking system for the periods indicated.

**TOTAL LOANS (GROSS) AND NON-PERFORMING LOANS BY TYPE
OF COMMERCIAL BANKS**

	As of December 31,					As of
	1999	2000	2001	2002	2003	January 31, 2004
	(in billions, except percentages)					
Expanded commercial banks ⁽¹⁾						
Total loans	₱1,086.1	₱1,025.0	₱ 992.2	₱1,041.9	₱1,118.7	₱1,081.8
Total non-performing loans	141.6	172.4	192.6	180.0	181.4	181.8
Ratio of non-performing loans to total loans	13.0%	16.8%	19.4%	17.3%	16.2%	16.8%
Non-expanded commercial banks ⁽²⁾						
Total loans	139.7	184.3	182.7	155.8	158.3	160.5
Total non-performing loans	23.0	32.4	41.7	26.9	29.2	29.8
Ratio of non-performing loans to total loans	16.4%	17.6%	22.8%	17.2%	18.5%	18.6%
Government banks ⁽³⁾						
Total loans	201.0	222.4	200.3	192.6	215.0	217.1
Total non-performing loans	25.4	33.5	35.7	30.3	28.6	28.7
Ratio of non-performing loans to total loans	12.6%	15.1%	17.8%	15.7%	13.3%	13.2%
Foreign banks ⁽⁴⁾						
Total loans	156.2	196.5	249.9	249.0	255.2	241.4
Total non-performing loans	5.4	7.5	11.9	7.9	6.3	5.9
Ratio of non-performing loans to total loans	3.5%	3.8%	4.8%	3.2%	2.5%	2.4%
Total loans	₱1,582.9	₱1,628.2	₱1,625.1	₱1,639.4	₱1,747.2	₱1,700.8
Total non-performing loans	195.4	245.8	281.9	245.1	245.5	246.2
Ratio of non-performing loans to total loans	12.3%	15.1%	17.3%	15.0%	14.1%	14.5%

Source: Bangko Sentral, Department of Economic Research/Supervisory Reports and Studies Office.

(1) Includes ING Bank (foreign bank) and excludes Land Bank of the Philippines and Development Bank of the Philippines. In May 2001, three expanded commercial banks (Standard Chartered Bank, HSBC and ING Bank) were reclassified as foreign banks.

(2) Excludes Orient Bank.

(3) Consists of Land Bank, Development Bank and Al-Amanah Islamic Investment Bank.

(4) Consists of 13 foreign banks; excludes three foreign bank subsidiaries.

The rise in NPLs weighed down on the asset quality of banks in 2001. The commercial banking system's NPLs as a percent of total loans rose from 15.1% in December 2000 to 17.4% in December 2001. This weakening resulted from the depreciation of the peso, which contributed to a rise in loan defaults, and the slowdown in business activity that saw a drop in credit demand. Also, in late 2000 and early 2001, Bangko Sentral extended ₱30 billion in emergency loans to Equitable PCI and ₱25 billion in emergency loans to Philippine National Bank to help the banks alleviate short-term liquidity problems attributed to heavy withdrawals during the Estrada impeachment trial.

As of December 31, 2002, the ratio of non-performing loans to total loans in the commercial banking system stood at 15.0%, lower than the 17.4% as of December 31, 2001. The improvement in the NPL ratio from the previous year was due in part to a redefinition of "non-performing loan" which took effect

September 19, 2002 (the redefinition allows banks to exclude from “non-performing loans” uncollectable or worthless loans that have been fully covered by allowance for probable losses); however, even under the previous definition of “non-performing loan,” the NPL ratio at the end of December 2002 would have decreased during the year to 15.8%. The yearly decrease in the NPL ratio was also attributed to increased foreclosure, restructuring proceedings, and generally improving performance of the commercial banking sector.

As of December 2003, the ratio of non-performing loans to total loans in the commercial banking system stood at 14.1%, lower than the December 2002 ratio of 15.0%. The improvement in the NPL ratio in December 2003 was due primarily to the 3.5% decrease in the level of non-performing loans to ₱245.5 billion from ₱254.5 billion in November 2003 and the 1.5% growth in the total loan portfolio level to ₱1,747.2 billion in December 2003 from ₱1,720.9 billion in November 2003. The NPL ratio averaged 15.1% for the full year 2003.

As of January 2004 the NPL ratio stood at 14.5%, higher than the 14.1% as of December 2003. The NPL coverage ratio (loan reserves to non-performing loans) stood at 53.1% at the end of January 2004, slightly higher than the 53.0% recorded as at the end of December 2003.

In December 2002, Congress approved the Special Purpose Vehicle (“SPV”) Act of 2002. The SPV Act provides the legal framework for the creation of private asset management companies that are expected to relieve a major portion of the banking system’s non-performing assets and thereby promote bank lending to support economic growth. President Arroyo signed the bill into law on January 10, 2003. The SPV Act’s implementing rules and regulations took effect on April 9, 2003. On June 26, 2003, the Monetary Board of Bangko Sentral approved accounting guidelines allowing the staggered booking of losses from the discounted sales of non-performing assets to SPVs to spread their losses over a maximum period of seven years, provided that the banks fully disclose any deviations from generally accepted accounting practices in connections with such sales.

The Government expects that passage of the SPV Act will further reduce the NPL ratio as private asset management companies are created pursuant to the SPV Act. Bangko Sentral has recently relaxed the rules on the sale of non-performing assets under the SPV Act.

After the Asian economic crisis, Bangko Sentral adopted new measures to protect the soundness of the country’s banks. Generally, these reforms aimed to reduce risks in the financial system, strengthen regulatory oversight, and bring domestic banking standards closer to international best practices. The major reforms, and subsequent modifications through 1999, are described below.

- *Limits on a bank’s transactional capacity.* Bangko Sentral generally limited a bank’s real estate loans to no more than 20% of a bank’s loan portfolio, increased required collateral for individual real estate loans and increased required liquidity cover on foreign exchange liabilities.
- *Increased minimum capital requirements.* Bangko Sentral gradually raised minimum capital requirements for universal banks, commercial banks and thrift banks, and increased penalties for non-compliance. However, the increased minimum capital requirements were set aside in 2000 with the adoption of the risk-based capital framework.
- *Stricter treatment of delinquent and restructured loans.* After the Asian financial crisis, Bangko Sentral reduced the period that a loan had to be overdue to qualify as non-performing. In 1999, to align its regulations with international standards, Bangko Sentral redefined non-performing loans (with respect to those payable as a lump sum or in quarterly, semi-annual or annual installments) as loans for which principal or interest is 30 days past due. Moreover, Bangko Sentral tightened the criteria for reclassifying restructured loans as performing.
- *Increased provisions for potential loan losses.* In 1997, Bangko Sentral mandated provisions for loan losses based generally on a bank’s gross loan portfolio in addition to provisions for probable losses linked to loans classified as sub-standard. In 1999, however, to encourage greater bank lending, Bangko

Sentral relaxed the general loan loss provisioning requirement so that it would not apply to newly granted loans. The specific loan loss provisioning requirements remain in effect.

- *Improved corporate governance.* To increase transparency, Bangko Sentral expanded required bank disclosures regarding interest rates, capital adequacy, non-performing loans and provisions for probable losses, and also mandated mark-to-market accounting on banks' transaction portfolios. Additional regulations aimed to improve bank management by expanding the duties of boards of directors, appointing compliance officers for each bank, and requiring external auditors of banks to report materially adverse information to Bangko Sentral.
- *Improved bank restructuring.* To avoid bank closures, Bangko Sentral adopted strategies to encourage rehabilitation of troubled bank assets as well as mergers or consolidations with healthy financial institutions.
- *Limits on the establishment of new banks.* In response to the Asian financial crisis, Bangko Sentral issued new regulations that required new banks to maintain suitable stockholders, adequate financial strength, an appropriate legal structure and qualified management. In 1999, to further encourage a stronger financial sector, Bangko Sentral put in place a general moratorium on the establishment of new banks. The Monetary Board has indicated that the moratorium (with certain exceptions including consolidations, acquisitions, rural banks in unserved areas and microfinance banks) is to remain in place.

The General Banking Law of 2000, which amended the General Banking Act, enhanced Bangko Sentral's supervisory and enforcement powers, improved prudential standards and liberalized foreign ownership of banks (foreign banks are now permitted to acquire up to 100% of the voting stock of a Philippines bank starting seven years after the effective date of the law). In particular, the General Banking Law reforms included the formal adoption of Basel risk-based capital requirements, a legal basis for consolidated supervision, stronger safeguards against insider loans, enhanced disclosure requirements and increases in monetary penalties. The General Banking Law of 2000, however, repealed the Philippine Deposit Insurance Corporation's independent right to conduct on-site supervision and require information from banks.

In December 2001, to encourage bank lending, Bangko Sentral lowered required loan loss provisions from 2% to 1% of the outstanding balance of unclassified loans other than restructured loans (less loans considered "non-risk" under existing regulations); however, the bank also imposed a 5% reserve on the outstanding balance of unclassified restructured loans (less loans considered "non-risk" under existing regulations).

As part of the global fight against money laundering, Bangko Sentral has, since July 2000, required banks to report unusually large transactions and all unusual patterns of transactions which have no apparent lawful purpose. In July 2001, Bangko Sentral also reduced the ceiling on undocumented over-the-counter sales of foreign exchange from \$10,000 to \$5,000. In September 2001, the Anti-Money Laundering Act of 2001 (the "AMLA") was passed. The new legislation makes money laundering a criminal offense and forms the foundation of a central monitoring and implementing council called the Anti-Money Laundering Council (the "AMLC"). The important features of the AMLA include:

- *Reporting of unusual or suspicious transactions.* Institutions including banks, non-banks, quasi-banks and securities brokers are required to report transactions with no underlying legal or trade obligation, with clients who are not properly identified, that involve amounts not commensurate with the business or financial capacity of the client, or that deviate from the client's past transactions.
- *Criminalizing money laundering.* Imprisonment and fines are imposed for certain offenses.
- *International cooperation.* The AMLC may request any foreign country to assist in locating and freezing proceeds of unlawful activities and obtaining information relating to money laundering.

On March 7, 2003, President Arroyo signed into law amendments to the AMLA that are intended to comply with the demands of the Financial Action Task Force ("FATF"). The FATF, established by the Organisation for Economic Cooperation and Development to combat money laundering, is backed by most of the world's industrialized nations.

The amendments lowered the threshold amount for bank transactions automatically subject to reporting requirements from ₱4 million to ₱500,000. The amendments also expanded the definition of “suspicious transactions” that are, regardless of amount, subject to the scrutiny of the AMLC, the agency charged with enforcing the law. However, under the amended law, a court order will be required for the AMLC to examine suspicious transactions or freeze bank accounts other than those suspected to be related to terrorism, kidnapping, hijacking, and drug trafficking. The new law remains silent on whether it will apply retroactively, leaving the courts to decide whether regulators may scrutinize suspicious transactions made before the original act’s passage in 2001. The implementing rules and regulations of the AMLA were approved by a bicameral Congressional committee in August 2003.

The Government believes that the money-laundering law, as amended, conforms to FATF requirements. However, the FATF must still review the amended law, evaluate its implementing rules and regulations, and monitor its enforcement against international standards before it removes the Philippines from its “non-cooperative” list and rules out the possibility of sanctions. The Government has indicated that this approval process could take one to two years.

Foreign Currency Loans

Bangko Sentral imposes a combination of prior approval, registration and reporting requirements on all non-peso denominated loans. The regime is as follows:

<u>Type of Loan</u>	<u>Regulatory Requirement</u>
Private sector loans: <ul style="list-style-type: none"> • guaranteed by a public sector entity or a local commercial bank; • granted by foreign currency deposit units that are specifically or directly funded from, or collateralized by, offshore loans or deposits; • obtained by banks and financial institutions with a term exceeding one year which will be relent to public and private enterprises; or • serviced using foreign exchange purchased from the banking system, unless specifically exempted from the approval requirement. 	Prior approval, subsequent registration and reporting requirements.
Private sector loans which are specifically exempted and which will be serviced with foreign exchange purchased in the banking system.	Subsequent registration and reporting requirements.
All private sector loans to be serviced with foreign exchange not purchased from the banking system.	Reporting requirements.
Public sector offshore loans except: <ul style="list-style-type: none"> • short-term foreign currency deposit loans for trade financing; and • short-term interbank borrowings 	Prior approval and reporting requirements.

The Philippine Securities Markets

History and Development. The securities industry in the Philippines began with the opening of the Manila Stock Exchange in 1927. In 1936, the Government established the Securities and Exchange Commission (the “SEC”) to oversee the industry and protect investors. Subsequently, the Makati Stock Exchange opened in 1963 and merged with the Manila Stock Exchange to form the Philippine Stock Exchange in 1994.

On June 29, 1998, the SEC granted the Philippine Stock Exchange self-regulatory organization status, empowering it to supervise and discipline its members, including by examining a member's books of account and conducting audits.

To broaden the range of securities eligible for listing, the Philippine Stock Exchange established a board for small- and medium-sized enterprises with an authorized capital of ₱20 million to ₱99.9 million of which at least 25% must be subscribed and fully paid. The Philippine Stock Exchange intends to eventually list debt securities and equity derivatives as well.

On July 19, 2000, the Securities Regulation Code of 1999 was signed into law. The code:

- shifted the focus of securities regulation from a merit-based system to a disclosure-based system;
- strengthened the anti-fraud provisions of the securities laws;
- utilized self-regulatory organizations to protect investors;
- updated securities regulations to be more consistent with international practices; and
- strengthened the SEC's rule-making and corporate reorganization powers.

As of March 31, 2004, the Philippine Stock Exchange had 148 local and 36 foreign members and 236 listed companies.

The stock market rebounded from the Asian financial crisis in late 1999, as the Philippine Stock Exchange Composite Index reached 2,143.0 at the end of December 1999, an 8.9% increase from its level at the end of December 1998. The recovery, however, was short-lived as the Philippine Stock Exchange Composite Index contracted for three consecutive quarters in 2000, declining 31.1% for the first nine months due to political turmoil, weakening economic fundamentals and a stock market manipulation scandal involving BW Resources Corporation, a publicly traded company, and Mr. Dante Tan, its largest shareholder. The stock market's overall capitalization grew 33% in 2000. As of December 31, 2000, overall capitalization was approximately ₱2.5 trillion, compared to ₱1.9 trillion as of December 31, 1999 and ₱1.4 trillion as of December 31, 1998. As a percentage of GNP, market capitalization declined from 86.4% in 1999 to 77.6% by the end of 2000. The Philippine Stock Exchange Composite Index closed at 1,494.5 on December 31, 2000.

On June 20, 2001, the Philippine Stock Exchange announced that the SEC had approved its proposal for its demutualization, or conversion from a mutual or membership organization into a publicly held stock corporation. Under the demutualization, the Exchange created a new corporation which assumed approximately 80% of the Exchange's total assets. Exchange member broker-dealers surrendered membership rights to the Exchange and, in return, received shares of the new corporation, shares of the Exchange and trading rights. On July 20, 2001, the Philippine Stock Exchange approved the plan to demutualize the stock exchange. On August 8, 2001, the Philippine Stock Exchange completed its conversion to a stock corporation that is publicly held. As its first shareholders, each of the 184 member-brokers subscribed and fully paid for 50,000 shares. The listing of its shares on the Exchange took effect on December 15, 2003 and 40% of the unissued shares were sold through a private placement on February 18, 2004.

The Philippine Stock Exchange Composite Index reached 1,168.08 at the end of December 2001, a 21.8% decrease from its level at the end of December 2000. The yearly decline was caused in large part by the September 11 terrorist attacks on the United States, the US-led military operations in Afghanistan, uncertainties about the prospects of the global economy due to the subsequent threat of war and recession and apprehensions over the Philippine economic and political environment.

In 2002, the composite index rose to a high of 1,452.51 on February 20, but then decreased to 1,018.4 at the end of December 2002. The higher budget deficit, concerns of a global economic slowdown, increased crime and kidnappings, the accounting scandals that affected certain large corporations in the US and the proposed partial sale by First Pacific Company Limited of its 24.4% controlling stake in the Philippine Long Distance Telephone Company to the Gokongwei Group contributed to a decline in the composite index in 2002.

From its close of 1,018.4 at the end of December 2002, the Philippine Stock Exchange composite index had risen to 1,283.80 on July 25, 2003. The resolution of the war in Iraq, higher than expected growth of the Philippine economy in the first quarter of 2003 and improved revenue collection by the Government contributed to the rise in the composite index in the first half of 2003. As of April 6, 2004, the Philippine Stock Exchange composite index had risen to close at 1516.81.

Government Securities Market. The Government securities market is dominated by short-term Treasury bills with maturities not exceeding one year. Responding to investor preferences and to create a yield curve for long-term domestic securities, the Government issued securities with longer maturities, including five-year fixed rate treasury bonds in June 1995 and seven and ten-year fixed rate treasury bonds in 1996. The restructuring of the Republic's domestic debt in favor of longer-term securities kept the issuance of Treasury bills of ₱17.9 billion below budget in 1996, while the issuance of fixed rate Treasury bonds exceeded expectations by ₱13.5 billion. In 1997, the Government sold, for the first time, 20-year Treasury bonds in the amount of ₱2 billion. The Government's outstanding direct domestic debt totalled ₱1,703.8 billion as of December 31, 2003, an increase of 74.1% from ₱978.4 billion as of December 31, 1998.

International Bond Market. In February 1997, Bangko Sentral approved guidelines governing the issuance of peso-denominated bonds in the international capital markets. Bangko Sentral will require the receipt of foreign currency by the Philippines and its exchange into pesos in the local banking system.

Public Finance

The Consolidated Financial Position. The consolidated public sector financial position measures the overall financial standing of the Republic's public sector. It is comprised of the public sector borrowing requirement and the aggregate deficit or surplus of the Social Security System and the Government Service Insurance System, Bangko Sentral, the Government financial institutions and the local Government units. The public sector borrowing requirement reflects the aggregate deficit or surplus of the Government, the Central Bank-Board of Liquidation's accounts, the Oil Price Stabilization Fund and the 14 monitored Government-owned corporations.

The following table sets out the consolidated financial position on a cash basis for the periods indicated.

CONSOLIDATED PUBLIC SECTOR FINANCIAL POSITION OF THE REPUBLIC

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003⁽¹⁾</u>
	(in billions, except percentages)				
Public sector borrowing requirement:					
National Government	₱(111.7)	₱(134.2)	₱(147.0)	₱(210.7)	₱(199.9)
Central Bank–Board of Liquidation	(20.5)	(19.1)	(23.5)	(15.1)	(15.7)
Oil Price Stabilization Fund ⁽²⁾	1.9	0.3	0.8	0.0	0.0
Monitored Government-owned corporations	(4.6)	(19.2)	(24.5)	(46.4)	(65.3)
Government transfers to Government-owned corporations	3.0	4.2	4.4	3.9	5.8
Other adjustments	<u>(6.1)</u>	<u>(6.6)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total public sector borrowing requirement	<u>₱(138.0)</u>	<u>₱(174.6)</u>	<u>₱(189.8)</u>	<u>₱(268.3)</u>	<u>₱(275.6)</u>
As a percentage of GNP	(4.4)%	(5.0)%	(4.8)%	(6.3)%	(5.9)%
Other public sector:					
Social Security System and Government Service Insurance System					
	₱ 36.4	₱ 15.5	₱ 15.6	₱ 25.6	₱ 7.8
Bangko Sentral ⁽³⁾	(4.0)	0.2	(0.1)	1.2	6.9
Government financial institutions	3.3	2.8	3.9	5.4	4.9
Local Government units	3.2	3.8	1.2	18.9	7.9
Timing adjustment of interest payments to Bangko Sentral	(2.3)	0.5	(0.2)	(1.6)	0.7
Other adjustments	<u>0.8</u>	<u>0.1</u>	<u>0.1</u>	<u>0.0</u>	<u>2.2</u>
Total other public sector	<u>37.5</u>	<u>22.9</u>	<u>20.5</u>	<u>49.6</u>	<u>30.4</u>
Consolidated public sector financial position	<u>₱(100.5)</u>	<u>₱(151.7)</u>	<u>₱(169.3)</u>	<u>₱(218.7)</u>	<u>₱(245.2)</u>
As a percentage of GNP	(3.2)%	(4.3)%	(4.3)%	(5.1)%	(5.2)%

Source: Fiscal Policy and Planning Office, Department of Finance.

(1) Preliminary.

(2) The Oil Price Stabilization Fund was created by the Government to stabilize the domestic price of oil products. Prior to deregulation in 1997, if exchange rates and international crude oil prices exceeded certain levels, oil companies received money from the fund, but if exchange rates and crude oil prices fell below those levels, oil companies contributed to the fund. The fund was technically abolished with the full deregulation of the oil industry in February 1998.

(3) Amounts are net of interest rebates, dividends and other amounts remitted to the Government and the Central Bank–Board of Liquidation.

For 1999, the consolidated financial deficit reached ₱100.5 billion, or 3.2% of GNP at current market prices, compared to a deficit of ₱83.2 billion in 1998. The Government's position was ₱15.2 billion off its target of ₱85.3 billion for the year. The Government accounted for ₱111.7 billion of the total deficit for the period, in line with its objective of stimulating the economy. Restructuring costs for the old Central Bank also contributed ₱20.5 billion to the total public sector borrowing requirement.

Led by the Government deficit, the consolidated financial position deficit increased to ₱151.7 billion in 2000 or 4.3% of GNP at current market prices, compared with the previous year's deficit of ₱100.5 billion. The consolidated public sector deficit was largely due to a public sector borrowing requirement of ₱174.6 billion, which included ₱19.1 billion for costs relating to the restructuring of the old Central Bank and the ₱19.2 billion deficit of the 14 monitored non-financial Government corporations. The Government-owned corporations' budget gap deteriorated from the single-digit deficit posted in 1999 as both current and capital expenditures increased. The greatest contributors to the deficit were the Philippine National Oil Company, the National

Power Corporation, the Light Rail Transit Authority, the National Development Corporation and the National Food Authority. The other public sector entities had a combined surplus of ₱22.9 billion in 2000, largely due to the substantial surpluses of the local government units and the social security institutions such as the Government Services and Insurance System and Social Security System.

For 2001, the consolidated financial position recorded a deficit of ₱169.3 billion or 4.3% of GDP at current market prices. The Government accounted for ₱147.0 billion of the deficit, the Central Bank restructuring accounted for ₱23.5 billion and the monitored Government-owned corporations accounted for ₱24.5 billion. The other public sector entities had a combined surplus of ₱20.5 billion during 2001, of which ₱15.6 billion was attributable to the social security institutions.

For 2002, the consolidated financial position of the Republic recorded a deficit of ₱218.7 billion. The Government recorded a ₱210.7 billion deficit, the Central Bank restructuring accounted for an additional ₱15.1 billion deficit, and the monitored Government-owned corporations accounted for a ₱46.4 billion deficit. The total public sector borrowing requirement of ₱268.3 billion was offset in part by a combined surplus of ₱49.6 billion for the other public sector entities during 2002. Of the surplus, ₱25.6 billion was attributable to the social security institutions.

According to preliminary figures, the consolidated financial position of the Republic recorded a deficit of ₱245.2 billion in 2003. The Government recorded a ₱199.9 billion deficit, the Central Bank restructuring accounted for an additional ₱15.7 billion and the monitored Government-owned corporations accounted for a ₱65.3 billion deficit. The total public sector borrowing requirement of ₱275.6 billion was offset in part by a ₱30.4 billion combined surplus for the other public sector entities. Of the surplus, ₱7.8 billion was attributable to social security institutions.

Government Revenues and Expenditures. The following table sets out Government revenues and expenditures for the periods indicated.

GOVERNMENT REVENUES AND EXPENDITURES

	Actual					Budget	
	1999	2000	2001	2002	2003	2003	2004
	(in billions, except percentages)						
Revenues							
Tax revenues							
Bureau of Internal Revenue	₱ 341.3	₱ 360.8	₱ 388.7	₱ 394.5	₱ 425.4	₱ 424.0	₱ 488.6
Bureau of Customs	86.5	95.0	96.2	96.3	106.1	100.1	105.2
Others ⁽¹⁾	3.9	4.2	4.9	5.6	5.9	6.7	7.6
Total tax revenues	431.7	460.0	489.8	496.4	557.4	530.8	601.4
As a percentage of GNP	13.9%	13.2%	13.3%	12.3%	11.9%	N/A	N/A
Non-tax revenues							
Bureau of the Treasury income ⁽²⁾	₱ 26.2	₱ 30.8	₱ 46.4	₱ 47.2	₱ 56.7	₱ 30.9	₱ 30.5
Fees and other charges ⁽³⁾	16.0	17.9	24.3	21.9	30.8	21.0	23.2
Privatizations ⁽⁴⁾	4.2	4.6	1.2	0.6	0.6	1.0	1.0
Comprehensive Agrarian Reform Program (land acquisition and credit)	0.2	0.1	0.0	0.0	0.0	0.0	14.8
Foreign grants	0.3	1.4	2.0	1.1	1.2	0.4	0.3
Total non-tax revenues	46.5	53.4	71.9	70.8	89.2	53.3	69.8
Total revenues	478.5	514.8	563.7	567.1	626.6	584.1	671.2
As a percentage of GNP	15.2%	14.7%	15.3%	14.3%	13.4%	N/A	N/A
Expenditures							
Personnel	₱ 202.7	₱ 225.2	₱ 238.9	266.0	₱ 276.1	₱ 265.7	₱ 286.3
Maintenance and operating expense	77.0	83.6	88.0	83.4	78.5	76.6	84.0
Interest payments							
Foreign	31.3	47.3	62.2	65.9	147.6	N/A	N/A
Domestic	75.0	93.6	112.6	120.0	78.8	N/A	N/A
Total interest payments	106.3	140.9	174.8	185.9	226.4	230.7	265.8
Subsidies to Government corporation	6.6	6.8	7.8	5.6	12.2	6.5	3.9
Allotment to local government units	96.4	99.8	116.6	137.6	144.7	147.3	144.4
Comprehensive Agrarian Reform Program (land acquisition and credit)	0.0	2.3	4.4	2.0	2.7	2.9	4.3
Infrastructure and other capital outlays	96.5	87.3	75.8	93.3	77.6	49.3	75.4
Equity and net lending	4.7	3.2	4.4	4.1	8.2	7.1	10.1
Total expenditures	590.2	649.0	710.8	777.9	826.5	786.1	874.2
As a percentage of GNP	18.8%	18.5%	18.6%	18.4%	17.6%	N/A	N/A
Surplus/(Deficit)	₱(111.7)	₱(134.2)	₱(147.0)	₱(210.7)	₱(199.9)	(202.0)	(197.8)
Financing							
Domestic financing	₱ 28.9	₱ 55.5	₱ 124.1	₱ 101.6	₱ 56.0	₱ 103.3	₱ 120.1
Net domestic borrowings	98.8	119.5	152.3	155.0	143.0	N/A	N/A
Non-budgetary accounts	32.6	(57.6)	(50.4)	(55.1)	61.2	N/A	N/A
Use of cash balances	37.4	(6.5)	22.2	(1.7)	25.8	N/A	N/A
Foreign financing	82.8	78.8	22.9	109.1	143.9	95.3	21.2
Total financing	₱ 111.7	₱ 134.2	₱ 147.0	₱ 214.9	₱ 199.9	₱ 198.6	₱ 141.3

Source: Department of Finance; Department of Budget and Management.

- (1) Represents tax revenues of the Department of Environment and Natural Resources, Bureau of Immigration and Deportation, Land Transportation Office and other Government entities.
- (2) Represents interest on deposits, interest on advances to Government-owned corporations, interest on securities, dividends from Government-owned corporations, earnings received from the Philippine Amusement and Gaming Corporation, earnings and terminal fees received from Ninoy Aquino International Airport, guarantee fees and others.
- (3) Represents receipts from the Land Transportation Office, Department of Foreign Affairs and other Government agencies.
- (4) Represents remittances to the National Government from the sale of interests in Government-owned corporations, Government financial institutions and other Government-owned assets and from the sale of assets by the Presidential Commission on Good Government and the Asset Privatization Trust.

Recent Results

In 2003, Government revenues were ₱626.6 billion and expenditures were ₱826.5 billion, resulting in a deficit of ₱199.9 billion. The full-year deficit was 5.2% lower than the ₱210.7 billion deficit reported for 2002. Of the ₱626.6 billion in revenues in 2003, ₱425.4 billion came from the BIR, ₱106.1 billion from the Bureau of Customs and ₱56.7 billion from the Bureau of the Treasury. The ₱826.5 billion in expenditures in 2003 included ₱226.4 billion for interest payments and ₱145.5 billion in allotments to local government units. In 2003, the BIR had total tax collections of ₱425.4 billion, 8.3% higher than 2002 and 104.4% of the full-year target.

Revenues

Sources. The Government derives its revenues from both tax and non-tax sources. The main sources of revenue include income tax, value-added tax (“VAT”) and customs duties. The main sources of non-tax revenue consist of interest on deposits, amounts earned from Government-owned corporations and privatization receipts.

Since 2001, the BIR has implemented the following tax administration improvements:

- resolution of delinquent accounts or disputed assessments which are either being litigated in the courts or being challenged by taxpayers;
- use of electronic documentary stamp metering machines to accurately assess and monitor documentary stamp taxes;
- broadening the tax base to increase the number of registered taxpayers;
- issuance of revenue regulations regarding automobiles which are subject to excise tax; and
- implementing a ceiling on deductible representation expenses as mandated by the Tax Code of 1997.

Beginning January 1, 2003, the 10% value-added tax on services rendered by banks, non-bank financial intermediaries and finance companies is being implemented by the BIR in lieu of the 5% tax on gross receipts to which these entities were previously subject. The VAT is due on financial intermediation services, financial leasing, net foreign exchange gains, net trading gains, certain real estate sales and sales of other properties acquired through foreclosure, sales of goods and properties and all other income derived by banks and non-bank financial intermediaries.

However, the DOF has asked President Arroyo to certify as “urgent” a bill seeking to replace the VAT with the gross receipts tax scheme, contending that it would be difficult to impose VAT on banks.

Results. In 1999, Government revenues amounted to ₱478.5 billion, a 3.5% increase compared with 1998. The 1999 figure was, however, ₱12.2 billion less than the revised target. Non-tax revenues reflected a ₱5.6 billion dividend payment from Bangko Sentral and ₱3.3 billion in proceeds from the sale of Philippine Associated Smelting and Refining Corp. Revenues collected by the Bureau of Internal Revenue were ₱12.2 billion less than the revised target. The shortfall was primarily attributable to the slow recovery of the industry sector. Revenues collected by the Bureau of Customs were ₱2.9 billion more than the revised target.

In 2000, Government revenues amounted to ₱514.8 billion, a 7.6% increase over 1999 revenues. The 2000 amount was ₱47.6 billion short of the April 2000 IMF revenue target. Revenues collected by the BIR increased to ₱360.8 billion but were ₱37.0 billion short of target estimates. The shortfall was attributable primarily to lower BIR collections of items such as documentary stamp tax and capital gains tax. The slowdown in the financial and real estate sectors also adversely affected collections in 2000. Bureau of Customs revenue increased to ₱95.0 billion, ₱3.1 billion more than targeted. Even with the marked slowdown in its collections from 1999 levels, the Bureau of the Treasury continued to surpass its target. The Treasury collected ₱30.8 billion in non-tax revenue from dividends on its shares of stocks and income from investments. Privatization efforts generated only ₱4.6 billion in remittances, compared to a target of ₱22.9 billion, as unfavorable market prices prevented the government from disposing of its assets. Privatization remittances

consisted of proceeds from the sale of the Philippine National Bank, Philippine Phosphate Fertilizer Corporation, and a package of International Broadcasting Corporation's radio stations.

Government revenues in 2001 were ₱563.7 billion, of which ₱489.8 billion were tax revenues and ₱71.9 billion were non-tax revenues. Revenue collections for 2001 were ₱5.5 billion higher than the budgeted amount of ₱558.2 billion and 9.5% higher than revenue collections for 2000. The increase was mainly attributable to the Bureau of the Treasury which collected ₱21.5 billion more than its target of ₱24.9 billion, offsetting a ₱8.9 billion shortfall from the targeted amount of cash collections by the Bureau of Customs. The BIR surpassed its target by ₱621 million for the period, collecting ₱388.7 billion. Privatization revenues for 2001 were ₱1.2 billion, compared to the budgeted amount of ₱10 billion, as unfavorable market conditions prevented the disposition of Government assets targeted for privatization.

Government revenues in 2002 totaled ₱567.1 billion, of which ₱496.4 billion were from tax revenues and ₱70.8 billion were from non-tax revenues. Total revenues for 2002 increased 0.6% from total revenues for 2001. Of total tax revenues during 2002, the BIR accounted for ₱394.5 billion and the Bureau of Customs accounted for ₱96.3 billion. Bureau of Treasury collections accounted for ₱47.2 billion in revenue in 2002, and taxes from other government offices and non-tax revenues accounted for the remaining ₱29.0 billion.

The BIR's collection of ₱394.5 billion in 2002 was 1.5% more than the ₱388.7 million collected in 2001. The lower than expected amounts collected for 2002 have been mainly attributed to the BIR's continued difficulty in generally enforcing the Republic's tax laws as well as the relatively low interest rate environment. Under the recently appointed BIR Commissioner, Guillermo Parayno, the BIR has implemented a program to identify, report, and prosecute taxpayers and companies that under-declare their VAT. A BIR program for voluntary assessment and collection of unpaid VAT and other income taxes has been put in place to collect unpaid taxes that were discovered by the BIR. This investigation concluded that underreporting of income from businesses has resulted in ₱10 billion in uncollected tax revenue covering the first half of 2002. The BIR has so far collected approximately ₱6 billion of this amount, and is investigating underreporting of income for the second half of 2002. The BIR is making a concerted effort to recover as much of this revenue as possible through the continued implementation of reform measures aimed at strengthening tax laws and customs procedures and increasing revenue recovery. In addition, in order to encourage better tax compliance, the BIR under the new Commissioner has simplified the filing process and the payment of taxes.

Government revenues 2003 were ₱626.6 million in 2003, a 10.5% increase from 2002. The overall increase in revenues was attributable mainly to recent reforms in the BIR and the Bureau of Customs, including technological improvements, stricter enforcement measures and expanded tax audits. BIR collections in 2003 were ₱425.4 billion, 7.8% more than in 2002, and Bureau of Customs revenues were ₱106.1 billion in 2003, 10.2% more than in 2002. Remittances to the Bureau of Treasury were ₱56.7 billion in 2003, 20.1% more than in 2002, and taxes from other government offices and non-tax revenues accounted for ₱38.5 billion, an increase of 32.2% from 2002.

Expenditures

Expenditures in 1999 increased to ₱590.4 billion compared to ₱512.5 billion in 1998. The total expenditures were ₱14.1 billion more than the revised target. The increase in expenditures in 1999 was due in large part to economic stimulus efforts by the Government and in part to the repayment of certain accounts payable that were outstanding from previous Government administrations. Revenues of ₱478.5 billion resulted in an overall deficit of ₱111.7 billion in 1999.

Expenditures in 2000 increased to ₱649.0 billion compared to ₱590.4 billion in 1999. The total expenditures were ₱19.5 billion more than the Government's target. The increase in expenditures was due primarily to higher interest payments which increased by ₱16 billion as a result of high interest rates for Treasury bills and fixed rate Treasury bonds. Other contributing factors included the depreciation of the peso, compared to the US dollar, an increase in LIBOR and the unprogrammed interest payment for the Metro Rail Transit obligation. Revenues of ₱514.8 resulted in an actual Government deficit of ₱134.2 in 2000.

Government expenditures for 2001 were ₱710.8 billion, ₱7.5 billion more than the budgeted amount of ₱703.2 billion and 9.5% higher than expenditures for 2000. The actual Government deficit for 2001 was ₱147.0 billion compared to the budgeted deficit of ₱145.0 billion.

Government expenditures in 2002 were ₱777.9 billion, compared to ₱710.8 billion in 2001. The increase in expenditures from 2001 to 2002 was due in part to higher expenditures for infrastructure, personal services, education, veterans' pensions, and allotments to local government units for anti-poverty programs and security measures.

Government expenditures in 2003 were ₱826.5 billion, 6.2% more than expenditures in 2002. The increase in expenditures was largely due to a substantial increase in interest payments on foreign debt, which were ₱65.9 billion in 2003 compared to ₱147.6 billion in 2002. The increase in foreign debt interest payments resulted from the decline in the value of the peso and issuance of new foreign debt. Personnel expenditures, subsidies to Government corporations and allotments to local government units also increased from 2002 to 2003. These increases together more than offset declines in expenditures from 2002 to 2003 for infrastructure and capital outlays, domestic interest payments and maintenance and operating expenses.

The Government Budget

The Budget Process. The Administrative Code of 1987 requires the Government to formulate and implement a national budget. The President submits the budget to Congress within 30 days of the opening of each regular session of Congress, which occurs on the fourth Monday of each July. The House of Representatives reviews the budget and transforms it into a general appropriations bill. The Senate then reviews the budget. A conference committee composed of members of both houses of Congress then formulates a common version of the bill. Once both houses approve the budget, the bill goes to the President for signing as a general appropriations act.

2004 Budget. On August 5, 2003, the Arroyo administration submitted its proposed 2004 budget to Congress. The budget calls for appropriations of ₱864.8 billion in 2004, and forecasts a fiscal deficit of ₱197.8 billion.

Subsequent to the administration's submission of its proposed budget, the House of Representatives and the Senate each passed a different budget, but Congress adjourned in February 2004 before a bicameral committee was able to approve an agreed budget. Thus, the 2003 appropriations have been provisionally reenacted for 2004. However, these provisional appropriations for 2004 differ in certain respects from expenditures in the 2003 budget. These differences arise in part from the fact that savings from projects that were completed in 2003 are to be used to implement certain priority projects under the proposed 2004 budget. The 2004 budget also reflects additional appropriations approved for 2004, including ₱4.7 billion in election-related expenditures and ₱2.9 billion in salary increases for the AFP.

Debt

External Debt. The following table sets out the total outstanding Bangko Sentral-approved and registered external debt.

BANGKO SENTRAL APPROVED EXTERNAL DEBT

	As of December 31,				
	1999	2000	2001	2002	2003
	(in millions, except percentages)				
By Maturity:					
Short-term ⁽²⁾	\$ 4,949	\$ 5,495	\$ 6,000	\$ 5,560	\$ 6,179
Medium and long-term	46,048	45,711	45,900	48,086	51,216
Total	<u>\$50,997</u>	<u>\$51,206</u>	<u>\$51,900</u>	<u>\$53,645</u>	<u>\$57,395</u>
By Debtor:⁽³⁾					
Banking system	\$11,391	\$11,248	\$11,603	\$10,969	\$11,250
Public sector ⁽⁴⁾	26,958	26,319	24,988	27,946	32,058
Private sector	12,647	13,637	15,309	14,728	14,090
Total	<u>\$50,997</u>	<u>\$51,206</u>	<u>\$51,900</u>	<u>\$53,645</u>	<u>\$57,395</u>
By Creditor Type:					
Multilateral	\$10,245	\$ 9,665	\$ 9,553	\$ 8,970	\$ 9,031
Bilateral	16,429	15,336	14,531	15,621	16,895
Banks and financial institutions	9,145	10,411	11,621	11,790	10,681
Bondholders/noteholders	12,951	13,447	13,678	14,785	17,111
Others	2,227	2,347	2,517	2,479	3,677
Total	<u>\$50,997</u>	<u>\$51,206</u>	<u>\$51,900</u>	<u>\$53,645</u>	<u>\$57,395</u>
Ratios:					
Debt service burden to exports of goods and services ⁽⁵⁾	14.1%	12.4%	15.8%	16.4%	17.2%
Debt service burden to GNP	8.3%	7.5%	8.5%	9.0%	9.2%
External debt to GNP	63.6%	63.5%	67.5%	64.5%	66.4%

Source: Bangko Sentral.

(1) External debt data have been revised to reflect the reclassification of offshore banking units (“OBUs”) from non-resident to resident entities for statistical purposes in conformity with the BPM5 framework.

(2) Debt with original maturity of one year or less.

(3) Classification by debtor is based on the primary obligor under the relevant loan or rescheduling documentation.

(4) Includes public sector debt whether or not guaranteed by the Government; does not include public banks.

(5) This ratio is based on the debt service burden for the relevant period relative to the total exports of goods and receipts from services and income during such period based on the BPM5 framework.

In 2002, Bangko Sentral–approved external debt increased 3.4% from the \$51.9 billion recorded as of December 31, 2001. The increase in debt in 2002 was due to additional borrowing to settle maturing obligations and finance the Government’s budget deficit, as well as upward foreign exchange revaluation adjustments on third-country currency denominated debt resulting from the continued depreciation of the US dollar against third-country currencies.

As of December 31, 2003, Bangko Sentral–approved external debt amounted to \$57.4 billion, a 7.0% increase from the \$53.6 billion recorded as of December 31, 2002. The increase in debt resulted from net inflows of foreign exchange to finance the Government’s budgetary requirements and from foreign exchange revaluation losses.

As of December 31, 2003, Bangko Sentral–approved medium and long term external debt amounted to \$51.2 billion. Of this amount, 57.8% carried fixed rates, 39.5% had variable rates, and the remaining 2.7% was non-interest bearing. The average cost of fixed rate credits was 6.0%. For liabilities with floating interest rates,

the margin over the applicable base rate averaged 1.7%. Approximately 54% of total Bangko Sentral–approved external debt (including short-term debt) was denominated in US dollars while 28% was denominated in Japanese yen. Multi-currency loans from the World Bank and the Asian Development Bank accounted for 9.2% of total Bangko Sentral–approved external debt.

Government Financing Initiatives. The Government has obtained funds under the so-called “Miyazawa initiative” to help finance projects contemplated by the country’s spending program. The Miyazawa initiative was launched by the Japanese government in October 1998 with an assistance package totalling the equivalent of \$30 billion. The package consists of support measures to assist five Asian countries, including the Philippines, overcome their economic difficulties. Under the Miyazawa initiative, the Government requested co-financing from Japan of approximately \$900 million of program loans from the Asian Development Bank and the World Bank, \$300 million each for the banking sector reform program with the World Bank, the power sector restructuring program with the Asian Development Bank (“ADB”) and the Metro Manila air quality enhancement program with the ADB.

In July 2000, the Republic entered into a \$100 million grain sector development program loan agreement with the ADB. The ADB disbursed \$30 million under this program in 2000; however, the undisbursed balance of \$70 million was cancelled in April 2003. Also in July 2000, the Republic signed a \$100 million program loan agreement with the ADB to support the Pasig River Environment Management and Rehabilitation Program. As of December 31, 2003, this loan had been fully disbursed.

In November 2001, the Republic entered into a \$75 million program loan agreement with ADB to support the Non-Bank Financial Governance Program. This loan was fully disbursed in the same year. As of December 31, 2001, the Republic had received \$100 million from each of the World Bank and the Japan Bank for International Cooperation (“JBIC”) under their respective banking sector loan programs. However, World Bank and JBIC have canceled the remaining combined undisbursed commitment of \$400 million.

In September 2003, the Republic entered into a \$150 million program loan with the ADB for the second Non-Bank Financial Governance Program. In October 2003, the first \$75 million under this program was released.

As of December 31, 2002, the Republic had received a total of \$600 million in loans from the ADB and JBIC to support power sector reforms. Also as of December 31, 2003, the Republic had received \$400 million in loans from the ADB and JBIC to support air quality improvement programs.

From 1998 to 2002, the Republic received a total of \$1.3 billion in financing from Japan under the Special Yen Loan Package, also known as the “Obuchi Fund”.

Credit Ratings. On January 27, 2004, Moody’s Investors Service lowered its rating of the Republic’s long-term foreign currency bonds and notes from Ba1 to Ba2, and lowered its rating of the Republic’s long-term domestic currency obligations from Baa3 to Ba2. Moody’s retained its negative ratings outlook on the Republic’s long-term foreign and domestic currency obligations. Moody’s noted concerns over the Government’s fiscal imbalances and the country’s uncertain political dynamics, as well as relatively high public-sector debt ratios.

On June 12, 2003, Fitch Ratings downgraded the Republic’s long-term foreign currency rating from BB+ to BB on the grounds that current and prospective fiscal trends amount to a material deterioration in sovereign creditworthiness, notwithstanding the recent upturn in tax receipts. Fitch also lowered the long-term local currency rating from BBB– to BB+ and changed the outlook on both ratings from negative to stable. Fitch mentioned that the change in outlook reflects Fitch’s judgement that broader macro-economic trends remain reasonable with respect to growth, inflation and the external current account balance.

On April 24, 2003, Standard & Poor’s Ratings Service downgraded the Republic’s long-term foreign currency rating from BB+ to BB, downgraded the Republic’s local currency rating from BBB+ to BBB and revised the long-term ratings outlook from stable to negative. Standard & Poor’s emphasized the Government’s high fiscal deficit, increased interest payments due to its high debt burden, and heavy reliance on external capital for economic growth.

The following table sets out the changes in the Republic's credit ratings or rating outlooks for the three years preceding the date of this prospectus.

<u>Date</u>	<u>Rating Agency</u>	<u>Instrument</u>	<u>Credit Rating or Rating Outlook</u>
March 15, 2001	Fitch-IBCA	Long-term local currency obligations	Downgraded outlook from "positive" to "stable" ⁽¹⁾
February 4, 2002	Moody's	Long-term foreign currency obligations	Upgraded outlook from "negative" to "stable" ⁽²⁾
April 4, 2002	Standard & Poor's	Long-term foreign currency obligations	Upgraded outlook from "negative" to "stable" ⁽³⁾
October 29, 2002	Standard & Poor's	Long-term foreign currency obligations	Downgraded outlook from "stable" to "negative" ⁽⁴⁾
November 25, 2002	Fitch-IBCA	Long-term foreign currency obligations	Downgraded outlook from "stable" to "negative" ⁽⁵⁾
January 8, 2003	Moody's	Local currency obligations	Downgraded outlook from "stable" to "negative" ⁽⁶⁾
April 24, 2003	Standard & Poor's	Long-term foreign currency obligations	Downgraded from BB+ to BB ⁽⁷⁾
		Local currency obligations	Downgraded from BBB+ to BBB ⁽⁷⁾
June 12, 2003	Fitch Ratings	Long-term foreign currency obligations	Downgraded from BB+ to BB ⁽⁸⁾ , with outlook "stable"
		Long-term local currency obligations	Downgraded from BBB- to BB+ ⁽⁸⁾ , with outlook "stable"
January 27, 2004	Moody's	Long-term foreign currency obligations	Downgraded from Ba1 to Ba2 ⁽⁹⁾
		Long-term local currency obligations	Downgraded from Baa3 to Ba2 ⁽⁹⁾

(1) Fitch noted the continuing deterioration of public finances and its impact on public indebtedness.

(2) Moody's noted that the upgrade reflected the Republic's success in meeting its fiscal targets and a stronger economic outlook.

(3) Standard & Poor's noted that the upgrade reflected the Government's improved economic management under the Arroyo administration and the Republic's adequate external liquidity.

(4) Standard & Poor's noted that the downgrade reflected diminishing prospects for the fiscal consolidation necessary to stabilize and reduce the Government's debt burden and sustain investor confidence.

(5) Fitch noted that further evidence of falling tax revenues had undermined the Government's fiscal credibility and raised concerns about rising public indebtedness.

(6) Moody's recognized that revenue collections had improved in recent months, but noted that poor revenue collection in prior periods had weakened long-term fiscal prospects.

(7) Standard & Poor's noted the Government's high fiscal deficit, increased interest payments due to its high debt burden, and heavy reliance on external capital for economic growth.

(8) Fitch noted that existing and prospective fiscal trends amounted to a material deterioration in sovereign creditworthiness.

(9) Moody's noted concerns over the Government's fiscal imbalances and the country's uncertain political dynamics, as well as relatively high public-sector debt ratios.

Public Sector Debt. The following table describes the country's outstanding public sector debt.

OUTSTANDING PUBLIC SECTOR DEBT⁽¹⁾

	As of December 31,					As of September 30,
	1998	1999	2000	2001	2002	2003
	(in billions, except percentages)					
Government ⁽²⁾						
Domestic	₱ 859.6	₱ 986.7	₱ 1,080.7	₱ 1,270.9	₱ 1,492.3	₱ 1,677.6
External	940.8	1,555.5	1,568.2	1,609.8	1,914.9	2,208.2
Total	<u>₱ 1,800.4</u>	<u>₱ 2,142.2</u>	<u>₱ 2,648.8</u>	<u>₱ 2,880.7</u>	<u>₱ 3,407.2</u>	<u>₱ 3,885.8</u>
Monitored GOCCs ⁽³⁾						
Domestic	419.1	644.8	810.6	744.9	895.7	841.2
External	224.8	286.1	308.1	395.0	474.4	585.5
Total	<u>₱ 643.9</u>	<u>₱ 930.9</u>	<u>₱ 1,118.7</u>	<u>₱ 1,139.9</u>	<u>₱ 1,370.1</u>	<u>₱ 1,426.7</u>
CB-BOL ⁽⁴⁾						
Domestic	0.0	0.0	0.0	0.0	0.0	0.0
External	102.2	74.9	81.8	73.9	67.1	67.1
Total	<u>₱ 102.2</u>	<u>₱ 74.9</u>	<u>₱ 81.8</u>	<u>₱ 73.9</u>	<u>₱ 67.1</u>	<u>₱ 67.1</u>
Bangko Sentral ⁽⁴⁾						
Domestic	123.3	193.5	202.6	118.3	164.3	213.0
External	264.2	299.3	385.2	475.5	450.4	485.2
Total	<u>₱ 387.5</u>	<u>₱ 492.8</u>	<u>₱ 587.8</u>	<u>₱ 593.8</u>	<u>₱ 614.7</u>	<u>₱ 698.2</u>
GFI ⁽³⁾						
Domestic	327.9	379.9	460.6	175.3	234.2	8.2
External	68.9	95.3	74.3	126.1	153.4	107.6
Total	<u>₱ 396.8</u>	<u>₱ 475.2</u>	<u>₱ 534.9</u>	<u>₱ 301.4</u>	<u>₱ 387.5</u>	<u>₱ 115.9</u>
Less loans on-lent or guaranteed by the Government						
Domestic	8.7	8.3	12.5	23.2	21.1	20.9
External	370.6	441.4	562.3	555.2	662.8	776.4
Total	<u>₱ 379.3</u>	<u>₱ 449.7</u>	<u>₱ 574.8</u>	<u>₱ 578.4</u>	<u>₱ 683.9</u>	<u>₱ 797.4</u>
Total public sector ⁽⁵⁾						
Domestic	1,721.2	2,196.6	2,542.0	2,286.3	2,765.4	2,719.0
External	1,230.3	1,469.7	1,855.2	2,125.1	2,397.3	2,671.9
Total	<u>₱ 2,951.5</u>	<u>₱ 3,666.3</u>	<u>₱ 4,397.2</u>	<u>₱ 4,411.3</u>	<u>₱ 5,162.7</u>	<u>₱ 5,391.0</u>
As a percentage of GNP (at current prices)						
Public sector debt ⁽⁵⁾	105.3%	116.9%	125.7%	112.6%	120.3%	161.3%
Public sector domestic debt ⁽⁵⁾ ..	61.4%	70.0%	72.7%	58.3%	64.5%	81.4%
Public sector external debt ⁽⁵⁾ ...	43.9%	46.9%	53.1%	54.2%	55.9%	55.9%
National Government debt ⁽²⁾ ...	50.7%	54.0%	59.3%	58.8%	63.5%	92.4%
National Government domestic debt ⁽²⁾	30.7%	31.5%	30.9%	32.4%	34.8%	50.2%
National Government external debt ⁽²⁾	33.6%	36.8%	44.8%	41.1%	44.6%	66.1%

Source: Fiscal Policy and Planning Office, Department of Finance.

- (1) Amounts in original currencies were converted to pesos using the applicable Bangko Sentral reference exchange rates at the end of each period.
- (2) Includes debt that is on-lent to Government-owned corporations and other public sector entities and debt that has been assumed by the Government and contingent liabilities.
- (3) Includes net lending from the Government, and borrowings on-lent or guaranteed by the Government.
- (4) Liabilities, including deposits, less currency issue and inter-government accounts.
- (5) Includes the Government, the monitored Government-owned corporations, the Central Bank–Board of Liquidation, Bangko Sentral and Government financial institutions. Does not include other public sector debt that is not guaranteed by the Government.

The outstanding public sector debt, comprised of the debt of the Government, the monitored Government corporations, the Central Bank–Board of Liquidation, Bangko Sentral and the Government financial institutions, amounted to ₱5,162.7 billion as of December 31, 2002 and ₱4,411.3 billion as of December 31, 2001. As of December 31, 2002, the Government accounted for ₱3,407.2 billion, or 66.0%, of outstanding public sector debt. Public sector debt as a proportion of GNP increased from 112.6% as of December 31, 2001 to 120.3% as of December 31, 2002. As of September 30, 2003, public sector debt was ₱5,391.0 billion, an increase of 4.4% from December 31, 2002. Government debt was ₱3,885.8 as of September 30, 2003, which was 72.1% of total public sector debt.

Direct Debt of the Republic. The following table summarizes the outstanding direct debt of the Republic as of the dates indicated.

OUTSTANDING DIRECT DEBT OF THE REPUBLIC⁽¹⁾⁽²⁾

	As of December 31,					
	1999	2000	2001	2002	2003	
	(in millions)					
Medium/long-term debt ⁽³⁾						
Domestic	₱ 513,667	₱ 600,925	₱ 822,269	₱ 1,065,976	₱ 1,207,816	\$21,743
External	\$ 19,800	\$ 21,992	\$ 22,082	\$ 25,340	\$ 29,627 ⁽⁴⁾	\$29,627 ⁽⁴⁾
Short-term debt ⁽⁵⁾						
Domestic	₱ 464,737	₱ 467,275	₱ 425,414	₱ 405,226	₱ 495,964	\$ 8,928
Total debt	<u>₱ 1,775,356</u>	<u>₱ 2,166,700</u>	<u>₱ 2,384,917</u>	<u>₱ 2,815,468</u>	<u>₱ 3,349,552</u>	<u>\$60,298</u>

Source: Bureau of the Treasury, Department of Finance.

- (1) Includes Government debt that is on-lent to Government-owned corporations and other public sector entities. Excludes debt guaranteed by the Government and debt originally guaranteed by other public sector entities for which the guarantee has been assumed by the Government. The table reflects debt of the Government only and does not include any other public sector debt.
- (2) Amounts in original currencies were converted to US dollars or pesos, as applicable, using Bangko Sentral's reference exchange rates at the end of each period.
- (3) Debt with original maturities of one year or longer.
- (4) The Government has incurred an aggregate of \$820 million of external debt since December 31, 2003.
- (5) Debt with original maturities of less than one year.

Direct Domestic Debt of the Republic. The following table summarizes the outstanding direct domestic debt of the Republic as of the dates indicated.

OUTSTANDING DIRECT DOMESTIC DEBT OF THE REPUBLIC⁽¹⁾⁽²⁾

	As of December 31,					
	1999	2000	2001	2002	2003	
	(in millions)					
Loans						
Direct	₱ 39,743	₱ 15,541	₱ 15,317	₱ 15,609	₱ 15,560	\$ 280
Assumed	20,369	19,117	13,858	8,251	2,297	41
Total loans	60,112	34,658	29,175	23,860	17,856	321
Securities						
Treasury bills	464,737	467,275	425,414	405,226	495,964	8,928
Treasury notes/bonds	453,555	566,267	793,094	1,042,115	1,189,960	21,421
Total securities	918,292	1,033,542	1,218,508	1,447,342	1,685,924	30,350
Total debt	<u>₱978,404</u>	<u>₱1,068,200</u>	<u>₱1,247,683</u>	<u>₱1,471,202</u>	<u>₱1,703,781</u>	<u>\$30,671</u>

Source: Bureau of the Treasury, Department of Finance.

- (1) Includes Government debt that is on-lent to Government-owned corporations and other public sector entities. Excludes debt guaranteed by the Government and debt originally guaranteed by other public sector entities for which the guarantee has been assumed by the Government. The table reflects debt of the Government only, and does not include any other public sector debt.
- (2) Amounts in original currencies were converted to US dollars or pesos, as applicable, using Bangko Sentral's reference exchange rates at the end of each period.

The following table sets forth the direct domestic debt service requirements of the Republic for the years indicated.

DIRECT DOMESTIC DEBT SERVICE REQUIREMENTS OF THE REPUBLIC⁽¹⁾

Year	Principal Repayments	Interest Payments	Total ⁽²⁾	
			(in millions)	
1999	₱ 61,552	₱ 74,980	₱136,532	\$3,392
2000	45,429	93,575	139,004	2,783
2001	54,039	112,592	166,631	3,268
2002	80,944	119,985	200,929	3,928
2003	147,322	147,565	294,887	5,308
2004 ⁽³⁾	150,453	134,728	285,181	5,134
2005 ⁽³⁾	237,934	112,721	350,655	6,312
2006 ⁽³⁾	213,034	87,710	300,744	5,414
2007 ⁽³⁾	187,780	60,492	248,273	4,469

Source: Bureau of the Treasury, Department of Finance.

- (1) Excludes debt service in respect of Government debt that is on-lent to Government owned corporations and other public sector entities guaranteed by the Government and debt originally guaranteed by other public sector entities for which the guarantee has been assumed by the Government. The table reflects debt of the Government only, and does not include any other public sector debt.
- (2) For 1999 to 2003, amounts in pesos were converted to US dollars using the applicable Bangko Sentral reference exchange rates at the end of each period. For 2004 through 2007, amounts in pesos were converted to US dollars using the applicable Bangko Sentral reference exchange rates as of December 31, 2003.
- (3) Projected, based on debt outstanding as of December 31, 2003.

Direct External Debt of the Republic. The following table summarizes the outstanding external direct debt of the Republic as of the dates indicated.

OUTSTANDING DIRECT EXTERNAL DEBT OF THE REPUBLIC⁽¹⁾⁽²⁾

	As of December 31,				
	1999	2000	2001	2002	2003
	(in millions)				
Loans					
Multilateral	\$ 4,468	\$ 4,388	\$ 4,323	\$ 4,390	\$ 4,626
Bilateral	9,055	8,193	7,236	8,167	9,277
Commercial	256	651	841	925	829
Total loans	13,779	13,232	12,400	13,482	14,732
Securities					
Eurobonds	352	514	915	1,062	1,637
Brady Bonds	1,482	1,385	1,287	1,190	1,092
Yen Bonds	391	655	949	959	794
Notes	—	810	1,010	400	200
Global Bonds	3,796	5,396	5,396	8,246	10,546
T-Bills	—	—	125	—	625
Total securities	6,021	8,760	9,682	11,857	14,895
Total	<u>\$19,800</u>	<u>\$21,992</u>	<u>\$22,082</u>	<u>\$25,340</u>	<u>\$29,627⁽³⁾</u>

Source: Bureau of the Treasury, Department of Finance

- (1) Includes Government debt that is on-lent to Government-owned corporations and other public sector entities. Excludes debt guaranteed by the Government and debt originally guaranteed by other public sector entities for which the guarantee has been assumed by the Government. The table reflects debt of the Government only, and does not include any other public sector debt.
- (2) Amounts in original currencies were converted to US dollars using the applicable Bangko Sentral reference exchange rates at the end of each period.
- (3) The Government has incurred an aggregate of \$820 million of external debt since December 31, 2003.

The following table sets out, by designated currency and the equivalent amount in US dollars, the outstanding direct external debt of the Republic as of December 31, 2003.

**SUMMARY OF OUTSTANDING DIRECT EXTERNAL
DEBT BY THE REPUBLIC BY CURRENCY⁽¹⁾
(as of December 31, 2003)**

	<u>Amount in Original Currency</u>	<u>Equivalent Amount in US dollars⁽²⁾</u>	<u>% of Total</u>
(in millions, except percentages)			
US Dollar	17,282	\$17,282	58.33%
Japanese Yen	994,953	9,289	31.35
European Currency Unit	1,253	1,564	5.28
Special Drawing Right	698	1,034	3.49
French Franc	774	147	0.50
Austrian Schilling	1,251	114	0.38
Deutsche Mark	111	71	0.24
Swiss Franc	72	57	0.19
Pound Sterling	13	23	0.08
Belgian Franc	651	20	0.07
Danish Krone	47	8	0.03
Kuwait Dinar	2	7	0.02
Italian Lire	7,749	5	0.02
Korean Won	3,971	3	0.01
Swedish Krona	15	2	0.01
Canadian Dollar	2	<u>2</u>	<u>0.01</u>
Total		<u>\$29,627⁽³⁾</u>	<u>100.00%</u>

Source: Bureau of the Treasury, Department of Finance.

- (1) Includes Government debt that is on-lent to Government-owned corporations and other public sector entities. Excludes debt guaranteed by the Government and debt originally guaranteed by other public sector entities for which the guarantee has been assumed by the Government. The table reflects debt of the Government only, and does not include any other public sector debt.
- (2) Amounts in original currencies were converted to US dollars using the applicable Bangko Sentral reference exchange rates as of December 31, 2003.
- (3) The Government has incurred an aggregate of \$820 million of external debt since December 31, 2003.

The following table sets forth the direct external debt service requirements of the Republic for the years indicated.

DIRECT EXTERNAL DEBT SERVICE REQUIREMENTS OF THE REPUBLIC⁽¹⁾⁽²⁾

<u>Year</u>	<u>Principal Repayments</u>	<u>Interest Payments</u> (in millions)	<u>Total</u>
1999	\$ 933	\$ 778	\$1,711
2000	831	947	1,778
2001	887	1,209	2,095
2002	1,718	1,243	2,961
2003	1,713	1,419	3,152
2004 ⁽³⁾	1,980	1,481	3,461
2005 ⁽³⁾	2,083	1,501	3,584
2006 ⁽³⁾	2,052	1,452	3,504
2007 ⁽³⁾	1,365	1,336	2,701

Source: Bureau of the Treasury, Department of Finance.

- (1) Excludes debt service in respect of Government debt that is on-lent to Government-owned corporations and other public sector entities or guaranteed by the Government, other than debt originally guaranteed by other public sector entities for which the guarantee has been assumed by the Government. The table reflects debt of the Government only, and does not include any other public sector debt.
- (2) For 1999 through 2003, amounts in original currencies were converted to US dollars using the applicable Bangko Sentral reference exchange rates prevailing on the date of payment. For 2004 through 2007, amounts in original currencies were converted to US dollars using the applicable Bangko Sentral reference exchange rates as of December 31, 2003.
- (3) Projected, based on debt outstanding as of December 31, 2003.

Government Guaranteed Debt. The following table sets forth all Republic guarantees of indebtedness, including guarantees assumed by the Government, as of the dates indicated.

SUMMARY OF OUTSTANDING GUARANTEES OF THE REPUBLIC⁽¹⁾⁽²⁾

	<u>As of December 31,</u>					
	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	
	(in millions)					
Domestic	₱8,320	₱12,451	₱23,167	₱19,070	₱22,635	\$ 407
External	\$8,908	\$ 9,402	\$ 9,177	\$10,757	\$12,348	\$12,348
Total						<u>\$12,755</u>

Source: Bureau of the Treasury, Department of Finance.

- (1) Includes debt originally guaranteed by the Government and debt guaranteed by other public sector entities for which the guarantee has been assumed by the Government.
- (2) Amounts in original currencies were converted to US dollars or pesos, as applicable, using Bangko Sentral's reference exchange rates at the end of each period.

Payment History of Foreign Debt. In early 1985 and in 1987, the Government rescheduled principal maturities of most medium- and long-term liabilities owed to commercial bank creditors falling due between October 1983 and December 1992. The Philippines normalized its relationship with foreign bank creditors in 1992 after issuing Brady Bonds in exchange for its commercial bank debt.

The Philippines rescheduled portions of its obligations to official creditors, such as foreign Governments and their export credit agencies, five times between 1984 and 1994 as follows.

<u>Date of Rescheduling Agreement</u>	<u>Rescheduled Amount</u>	<u>New Maturity (From Date of Rescheduling Agreement)</u>	<u>Grace Period</u>
December 1984.....	\$896 million	10 years	5 years
January 1987.....	\$ 1.1 billion	10 years	5.5 years
May 1989.....	\$ 1.8 billion	8.5 years	5 years
June 1991.....	\$ 1.5 billion	15-20 years	6.5 years
July 1994*.....	\$498 million	15-20 years	8-10 years

* Not implemented. See discussion in following paragraph.

In December 1994, the Government decided not to avail itself of the July 1994 rescheduling agreement to accelerate the country's graduation from rescheduling country status. As of June 30, 1999, the Republic's rescheduled obligations with its bilateral creditors amounted to \$2.2 billion, with Japan at \$1.2 billion and the United States at \$506 million having the largest exposures.

In addition to debt restructuring, the Republic has engaged in debt buyback, debt-to-equity, debt-for-debt, debt-for-nature and other debt reduction arrangements to reduce its debt by at least \$6 billion. The Republic intends to maintain various efforts to manage its debt portfolio to improve yield and maturity profiles. The Republic may utilize proceeds from debt issues for the purpose of repurchasing outstanding debt through a variety of methods, including public auctions and repurchases of debt securities in the open markets.

While there have been a number of reschedulings of the Republic's debt to its bilateral creditors in the past few years, the Republic has not defaulted on, and has not attempted to restructure, the payment of principal or interest on any of its external securities in the last 20 years.

Brady Bonds. In 1992, the Philippines issued approximately \$3.3 billion of Brady Bonds, maturing between 2007 and 2018, in exchange for commercial bank debt, and secured, as to repayment of principal at stated maturity, \$1.9 billion of the bonds with zero-coupon bonds purchased by the Republic in the open market. As of year-end 1997, cash and short-term investment grade securities deposited with the Federal Reserve Bank of New York, as collateral agent, secured the payment of approximately 12 to 14 months of interest on \$1.6 billion of the Brady Bonds.

In October 1996, the Government exchanged \$6.5 million of Series A Principal Collateralized Interest Reduction Bonds due 2018 and approximately \$628 million of Series B Principal Collateralized Interest Reduction Bonds due 2017 for \$551 million of its \$690 million 8.75% Bonds due 2016. After the exchange, approximately \$2.3 billion of the Brady Bonds remained outstanding. The exchange generated significant savings in debt service and the release of the US Treasury securities held as collateral with respect to the exchanged bonds and established a liquid and long-term sovereign benchmark extending the maturity of the Philippine debt profile. The exchange resulted in the redemption, at a discount, of approximately \$635 million of Brady Bonds. In addition, the Brady Bond exchange freed more than \$124 million in cash from the collateral released in the retirement of the Brady Bonds.

In October 1999, the Government exchanged approximately \$401 million of its Principal Collateralized Interest Reduction Bonds, \$165 million of its Interest Reduction Bonds and \$54 million of its Floating Rate Debt Conversion Bonds for approximately \$544 million of 9.50% Global Bonds due 2024. After the exchange, approximately \$1.5 billion of the Brady Bonds remained outstanding. Similar to the October 1996 exchange, this exchange generated significant savings in debt service and the release of the US Treasury securities held as collateral with respect to the exchanged bonds and established a sovereign benchmark extending the maturity of the Philippine debt profile. The exchange freed approximately \$149 million in cash from the collateral released in the retirement of the Brady Bonds.

In February 2004, the Republic exchanged approximately \$46 million original principal amount of its Principal Collateralized Interest Reduction Bonds, \$123 million original principal amount of its Interest Reduction Bonds, \$141 million original principal amount of its Floating Rate Debt Conversion Bonds and \$917 million of outstanding global bonds for approximately \$1.2 billion in 8.375% Global Bonds due 2011. In addition, the Republic issued approximately \$120 million in 8.375% Global Bonds due 2011 pursuant to a concurrent cash offering. The Republic has requested the release of approximately \$46 million in collateral pursuant to the retirement of the Brady Bonds.

The following table sets out the foreign currency bonds issued by the Republic.

FOREIGN CURRENCY BONDS ISSUED BY THE REPUBLIC

	<u>Outstanding Balance as of Issue Date</u>	<u>Outstanding Balance as of December 31, 2003</u>
	(in millions)	
Brady Bonds⁽¹⁾		
Interest Reduction Bonds	\$ 757	\$ 204
Principal Collateralized Interest Reduction Bonds	1,894	583
Debt Conversion Bonds	<u>697</u>	<u>306</u>
Total	\$ 3,348	\$ 1,092
Japanese Yen Bonds⁽²⁾		
Seventh Series	327	327
Shibosai Series A	<u>467</u>	<u>467</u>
Total	\$ 794	\$ 794
Notes	200	200
Global bonds	10,546	10,546
Eurobonds ⁽²⁾	1,637	1,637
T-Bills	<u>625</u>	<u>625</u>
Total foreign bonds	<u>\$17,151</u>	<u>\$14,895⁽³⁾</u>

Source: Bureau of the Treasury, Department of Finance.

- (1) The difference between the amount of the Brady Bonds originally issued and the amount currently outstanding represents repurchases of such Bonds by the Republic in the secondary market (or their acquisition in connection with debt for equity and similar transactions), the 1998 Brady Bond exchange, the cancellation of such acquired Bonds and principal repayments.
- (2) Yen and Euro denominated bonds were converted to US dollars using Bangko Sentral's reference exchange rate as of December 31, 2003.
- (3) The Government has incurred an aggregate of \$820 million of external debt since December 31, 2003. In February 2004, the Government cancelled approximately \$310 million in original principal amount of Brady Bonds and approximately \$917 million in global bonds, which were redeemed in exchange for approximately \$1.2 billion in new global bonds.

DESCRIPTION OF THE SECURITIES

Description of the Debt Securities

The Philippines may issue debt securities in separate series at various times. The description below summarizes the material provisions of the debt securities that are common to all series and the Fiscal Agency Agreement. Each series of the debt securities will be issued pursuant to a fiscal agency agreement (each, as applicable to a series of debt securities, the “Fiscal Agency Agreement”). Since it is only a summary, the description may not contain all of the information that is important to you as a potential investor in the debt securities. Therefore, the Philippines urges you to read the form of the Fiscal Agency Agreement and the form of global bond before deciding whether to invest in the debt securities. The Philippines has filed a copy of these documents with the Securities and Exchange Commission as exhibits to the registration statement of which this prospectus is a part. You should refer to such exhibits for more complete information.

The financial terms and other specific terms of your debt securities are described in the prospectus supplement relating to your debt securities. The description in the prospectus supplement will supplement this description or, to the extent inconsistent with this description, replace it.

You can find the definitions of certain capitalized terms in the subsection titled “Glossary of Certain Defined Terms” located at the end of this section.

General Terms of the Bonds

The prospectus supplement that relates to your debt securities will specify the following terms:

- The aggregate principal amount and the designation;
- The currency or currencies or composite currencies of denomination and payment;
- Any limitation on principal amount and authorized denominations;
- The percentage of their principal amount at which the debt securities will be issued;
- The maturity date or dates;
- The interest rate or rates, if any, for the debt securities and, if variable, the method by which the interest rate or rates will be calculated;
- Whether any amount payable in respect of the debt securities will be determined based on an index or formula, and how any such amount will be determined;
- The dates from which interest, if any, will accrue for payment of interest and the record dates for any such interest payments;
- Where and how the Philippines will pay principal and interest;
- Whether and in what circumstances the debt securities may be redeemed before maturity;
- Any sinking fund or similar provision;
- Whether any part or all of the debt securities will be in the form of a global security and the circumstances in which a global security is exchangeable for certificated securities;
- If issued in certificated form, whether the debt securities will be in bearer form with interest coupons, if any, or in registered form without interest coupons, or both forms, and any restrictions on exchanges from one form to the other and;
- Whether the debt securities will be designated “Collective Action Securities” (as described below under “Collective Action Securities”).

If the Philippines issues debt securities at an original issue discount, in bearer form or payable in a currency other than the US dollar, the prospectus supplement relating to the debt securities will also describe applicable US federal income tax and other considerations additional to the disclosure in this prospectus.

Payments of Principal, Premium and Interest

On every payment date specified in the relevant prospectus supplement, the Philippines will pay the principal, premium and/or interest due on that date to the registered holder of the relevant debt security at the close of business on the related record date. The record date will be specified in the applicable prospectus supplement. The Philippines will make all payments at the place and in the currency set out in the prospectus supplement. Unless otherwise specified in the relevant prospectus supplement or the debt securities, the Philippines will make payments in US dollars at the New York office of the fiscal agent or, outside the United States, at the office of any paying agent. Unless otherwise specified in the applicable prospectus supplement, the Philippines will pay interest by check, payable to the registered holder.

If the relevant debt security has joint holders, the check will be payable to all of them or to the person designated by the joint holders at least three business days before payment. The Philippines will mail the check to the address of the registered holder in the bond register and, in the case of joint holders, to the address of the joint holder named first in the bond register.

The Philippines will make any payment on debt securities in bearer form at the designated offices or agencies of the fiscal agent, or any other paying agent, outside of the United States. At the option of the holder of debt securities, the Philippines will pay by check or by transfer to an account maintained by the payee with a bank located outside of the United States. The Philippines will not make payments on bearer securities at the corporate trust office of the fiscal agent in the United States or at any other paying agency in the United States. In addition, the Philippines will not make any payment by mail to an address in the United States or by transfer to an account with a bank in the United States. Nevertheless, the Philippines will make payments on a bearer security denominated and payable in US dollars at an office or agency in the United States if:

- payment outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions; and
- the payment is then permitted under United States law, without material adverse consequences to the Philippines.

If the Philippines issues bearer securities, it will designate the offices of at least one paying agent outside the United States as the location for payment.

Repayment of Funds; Prescription

If no one claims money paid by the Philippines to the fiscal agent for the payment of principal or interest for two years after the payment was due and payable, the fiscal agent or paying agent will repay the money to the Philippines. After such repayment, the fiscal agent or paying agent will not be liable with respect to the amounts so repaid. However, the Philippines' obligations to pay the principal of, and interest on, the debt securities as they become due will not be affected by such repayment.

You will not be permitted to submit a claim to the Philippines for payment of principal or interest on any series of debt securities unless made within ten years, in the case of principal, and five years, in the case of interest, from the date on which payment was due.

Global Securities

The prospectus supplement relating to a series of debt securities will indicate whether any of that series of debt securities will be represented by a global security. The prospectus supplement will also describe any unique specific terms of the depositary arrangement with respect to that series. Unless otherwise specified in the prospectus supplement, the Philippines anticipates that the following provisions will apply to depositary arrangements.

Registered Ownership of the Global Security. The global security will be registered in the name of a depositary identified in the prospectus supplement, or its nominee, and will be deposited with the depositary, its nominee or a custodian. The depositary, or its nominee, will therefore be considered the sole owner or

holder of debt securities represented by the global security for all purposes under the Fiscal Agency Agreement. Except as specified below or in the applicable prospectus supplement, beneficial owners:

- will not be entitled to have any of the debt securities represented by the global security registered in their names;
- will not receive physical delivery of any debt securities in definitive form;
- will not be considered the owners or holders of the debt securities;
- must rely on the procedures of the depositary and, if applicable, any participants (institutions that have accounts with the depositary or a nominee of the depositary, such as securities brokers and dealers) to exercise any rights of a holder of the debt securities; and
- will receive payments of principal and interest from the depositary or its participants rather than directly from the Philippines.

The Philippines understands that, under existing industry practice, the depositary and participants will allow beneficial owners to take all actions required of, and exercise all rights granted to, the registered holders of the debt securities.

The Philippines will issue certificated securities and register debt securities in the name of a person other than the depositary or its nominee only if:

- the depositary for a series of debt securities is unwilling or unable to continue as depositary or ceases to be a clearing agency registered under the Securities Exchange Act of 1934 and the Philippines does not appoint a successor depositary within 90 days;
- the Philippines determines, in its sole discretion, not to have a series of debt securities represented by a global security; or
- a default occurs that entitles the holders of the debt securities to accelerate the maturity date and such default has not been cured.

In these circumstances, an owner of a beneficial interest in a global security will be entitled to registration of a principal amount of debt securities equal to its beneficial interest in its name and to physical delivery of the debt securities in definitive form. Definitive debt securities in bearer form will not be issued in respect of a global security in registered form.

Beneficial Interests in and Payments on a Global Security. Only participants, and persons that may hold beneficial interests through participants, can own a beneficial interest in the global security. The depositary keeps records of the ownership and transfer of beneficial interests in the global security by its participants. In turn, participants keep records of the ownership and transfer of beneficial interests in the global security by other persons (such as their customers). No other records of the ownership and transfer of beneficial interests in the global security will be kept.

All payments on a global security will be made to the depositary or its nominee. When the depositary receives payment of principal or interest on the global security, the Philippines expects the depositary to credit its participants' accounts with amounts that correspond to their respective beneficial interests in the global security. The Philippines also expects that, after the participants' accounts are credited, the participants will credit the accounts of the owners of beneficial interests in the global security with amounts that correspond to the owners' respective beneficial interests in the global security.

The depositary and its participants establish policies and procedures governing payments, transfers, exchanges and other important matters that affect owners of beneficial interests in a global security. The depositary and its participants may change these policies and procedures from time to time. The Philippines has no responsibility or liability for the records of ownership of beneficial interests in the global security, or for payments made or not made to owners of such beneficial interests. The Philippines also has no responsibility or liability for any aspect of the relationship between the depositary and its participants or for any aspect of the relationship between participants and owners of beneficial interests in the global security.

Bearer Securities. The Philippines may issue debt securities of a series in the form of one or more bearer global debt securities deposited with a common depository for the Euroclear System and Clearstream Banking, société anonyme, or with a nominee identified in the applicable Prospectus Supplement. The specific terms and procedures, including the specific terms of the depository arrangement, with respect to any portion of a series of debt securities to be represented by a bearer global security will be described in the applicable Prospectus Supplement.

Additional Amounts

The Philippines will make all payments on the debt securities without withholding or deducting any present or future taxes imposed by the Philippines or any of its political subdivisions, unless required by law. If Philippine law requires the Philippines to deduct or withhold taxes, it will pay the holders of the debt securities such additional amounts as are necessary to ensure that they receive the same amount as they would have received without such withholding or deduction.

The Philippines will not pay, however, any additional amounts if the holder of the debt securities is liable for Philippine tax because:

- the holder of the debt securities is connected with the Philippines other than by merely owning the debt security or receiving income or payments on the bond; or
- the holder of the debt securities failed to comply with any reasonable certification, identification or other reporting requirement concerning the holder's nationality, residence, identity or connection with the Philippines, if compliance with such requirement is required by any statute or regulation of the Philippines as a precondition to exemption from withholding or deduction of taxes; or
- the holder of the debt securities failed to present its debt security for payment within 30 days of when the payment is due or when the Philippines makes available to the holder of the debt securities or the relevant fiscal or paying agent a payment of principal or interest, whichever is later. Nevertheless, the Philippines will pay additional amounts to the extent the holder would have been entitled to such amounts had it presented its debt security for payment on the last day of the 30 day period.

Status of Bonds

While outstanding, the debt securities will:

- constitute direct, unconditional and unsecured obligations of the Philippines;
- rank at least equally in right of payment with all of the Philippines' other unsecured and un-subordinated External Indebtedness, except as described below; and
- continue to be backed by the full faith and credit of the Philippines.

Under Philippine law, unsecured debt (including guarantees of debt) of a borrower in insolvency or liquidation that is documented by a public instrument, as provided in Article 2244(14) of the Civil Code of the Philippines, ranks ahead of unsecured debt that is not so documented. Debt is treated as documented by a public instrument if it is acknowledged before a notary or any person authorized to administer oaths in the Philippines. The Government maintains that debt of the Philippines is not subject to the preferences granted under Article 2244(14) or cannot be documented by a public instrument without acknowledgment of the Philippines as debtor. The Philippine courts have never addressed this matter, however, and it is uncertain whether a document evidencing the Philippines' Peso or non-Peso denominated debt (including External Indebtedness), notarized without the Philippines' participation, would be considered documented by a public instrument. If such debt were considered documented by a public instrument, it would rank ahead of the debt securities if the Philippines could not meet its debt obligations.

The Philippines has represented that it has not prepared, executed or filed any public instrument, as provided in Article 2244(14) of the Civil Code of the Philippines, relating to any External Indebtedness. It also has not consented or assisted in the preparation or filing of any such public instrument. The Philippines

also agreed that it will not create any preference or priority in respect of any External Public Indebtedness pursuant to Article 2244(14) of the Civil Code of the Philippines unless its grants equal and ratable preference or priority to amounts payable under the debt securities.

Negative Pledge Covenant

If any debt securities are outstanding, the Philippines will not create or permit any Liens on its assets or revenues as security for any of its External Public Indebtedness, unless the Lien also secures the Philippines' obligations under the debt securities. In addition, the Philippines will not create any preference or priority for any of its External Public Indebtedness pursuant to Article 2244(14) of the Civil Code of the Philippines, or any successor law, unless it grants equal and ratable preference or priority to amounts due under the debt securities.

The Philippines may create or permit a Lien:

- on any property or asset (or any interest in such property or asset) incurred when the property or asset was purchased, improved, constructed, developed or redeveloped to secure payment of the cost of the activity;
- securing Refinanced External Public Indebtedness;
- arising out of the extension, renewal or replacement of any External Public Indebtedness that is permitted to be subject to a lien pursuant to either of the previous two bullet points, as long as the principal amount of the External Public Indebtedness so secured is not increased;
- arising in the ordinary course of banking transactions to secure External Public Indebtedness with a maturity not exceeding one year;
- existing on any property or asset at the time it was purchased, or arising after the acquisition under a contract entered into before and not in contemplation of the acquisition, and any extension and renewal of that Lien which is limited to the original property or asset and secures any extension or renewal of the original secured financing;
- that:
 - (A) arises pursuant to any legal process in connection with court proceedings so long as the enforcement of the lien is stayed and the Philippines is contesting the claims secured in good faith; or
 - (B) secures the reimbursement obligation under any surety given in connection with the release of any lien referred to in (A) above;if it is released or discharged within one year of imposition; or
- arising by operation of law, provided that any such Lien is not created or permitted to be created by the Philippines for the purpose of securing any External Public Indebtedness

The international reserves of Bangko Sentral represent substantially all of the official gross international reserves of the Philippines. Because Bangko Sentral is an independent entity, the Philippines and Bangko Sentral believe that the debt securities' negative pledge covenant does not apply to Bangko Sentral's international reserves. Bangko Sentral could therefore incur External Indebtedness secured by international reserves without securing amounts payable under the debt securities.

Events of Default

The following description does not apply to any series of debt securities that has been designated Collective Action Securities. See "Collective Action Securities — Events of Default" below for a description of the corresponding terms of Collective Action Securities.

Each of the following constitutes an event of default with respect to any series of debt securities:

1. **Non-Payment:** the Philippines does not pay principal or interest on any debt securities of such series when due and such failure continues for 30 days;

2. **Breach of Other Obligations:** the Philippines fails to observe or perform any of the covenants in the series of debt securities (other than non-payment) for 60 days after written notice of the default is delivered by any holder of debt securities to the Philippines at the corporate trust office of the fiscal agent in New York City;

3. **Cross Default and Cross Acceleration:**

- (a) the Philippines fails to make a payment of principal, premium, prepayment charge or interest when due on any External Public Indebtedness with a principal amount equal to or greater than \$25,000,000 or its equivalent, and this failure continues beyond the applicable grace period; or
- (b) any External Public Indebtedness of the Philippines or the central monetary authority in principal amount equal to or greater than \$25,000,000 is accelerated, other than by optional or mandatory prepayment or redemption;

For purposes of this event of default, the US dollar equivalent for non-US dollar debt will be computed using the middle spot rate for the relevant currency against the US dollar as quoted by The Chase Manhattan Bank on the date of determination.

4. **Moratorium:** the Philippines declares a general moratorium on the payment of its or the central monetary authority's External Indebtedness;

5. **Validity:**

- (a) the Philippines, or any governmental body with the legal power and authority to declare such series of debt securities and the related Fiscal Agency Agreement invalid or unenforceable, challenges the validity of such series of debt securities or the related Fiscal Agency Agreement;
- (b) the Philippines denies any of its obligations under such series of debt securities or the related Fiscal Agency Agreement; or
- (c) any legislative executive, or constitutional measure or final judicial decision renders any material provision of such series of debt securities or the related Fiscal Agency Agreement invalid or unenforceable or prevents or delays the performance of the Philippines' obligations under such series of debt securities or the related Fiscal Agency Agreement;

6. **Failure of Authorizations:** any legislative, executive or constitutional authorization necessary for the Philippines to perform its material obligations under the series of debt securities or the related Fiscal Agency Agreement ceases to be in full force and effect or is modified in a manner materially prejudicial to the holders of the debt securities;

7. **Control of Assets:** The Philippines or the central monetary authority does not at all times exercise full control over the Philippines' International Monetary Assets; or

8. **IMF Membership:** The Philippines ceases to be a member of the IMF or loses its eligibility to use the general resources of the IMF.

The events described in paragraphs 2, 4, 5 and 6 will be events of default only if they materially prejudice the interests of holders of the debt securities.

If any of the above events of default occurs and is continuing, holders of the debt securities representing at least 25% in principal amount of the debt securities of that series then outstanding may declare all of the debt securities of the series to be due and payable immediately by written notice to the Philippines and the fiscal agent. In the case of an event of default described in paragraphs 1 or 4 above, any holder of the debt securities may declare the principal amount of debt securities that it holds to be immediately due and payable by written notice to the Philippines and the fiscal agent.

Investors should note that:

- despite the procedure described above, no debt securities may be declared due and payable if the Philippines cures the applicable event of default before it receives the written notice from the holder of the debt securities;
- the Philippines is not required to provide periodic evidence of the absence of defaults; and
- the Fiscal Agency Agreement does not require the Philippines to notify holders of the debt securities of an event of default or grant any holder of the debt securities a right to examine the bond register.

Modifications and Amendments; Bondholders' Meetings

The following description does not apply to any series of debt securities that has been designated Collective Action Securities. See "Collective Action Securities — Modifications and Amendments; Bondholders' Meetings" for a description of the corresponding terms of Collective Action Securities.

Each holder of a series of debt securities must consent to any amendment or modification of the terms of that series of debt securities or the Fiscal Agency Agreement that would:

- change the stated maturity of the principal of the debt securities or any installment of interest;
- reduce the principal amount of such series of debt securities or the portion of the principal amount payable upon acceleration of such debt securities;
- change the debt securities' interest rate;
- change the currency of payment of principal or interest;
- change the obligation of the Philippines to pay additional amounts on account of withholding taxes or deductions; or
- reduce the percentage of the outstanding principal amount needed to modify or amend the related Fiscal Agency Agreement or the terms of such series of debt securities.

With respect to other types of amendment or modification, the Philippines may, with the consent of the holders of at least a majority in principal amount of the debt securities of a series that are outstanding, modify and amend that series of debt securities or, to the extent the modification or amendment affects that series of debt securities, the Fiscal Agency Agreement.

The Philippines may at any time call a meeting of the holders of a series of debt securities to seek the holders' approval of the modification, or amendment, or obtain a waiver, of any provision of that series of debt securities. The meeting will be held at the time and place in the Borough of Manhattan in New York City as determined by the Philippines. The notice calling the meeting must be given at least 30 days and not more than 60 days prior to the meeting.

While an event of default with respect to a series of debt securities is continuing, holders of at least 10% of the aggregate principal amount of that series of debt securities may compel the fiscal agent to call a meeting of all holders of debt securities of that series.

The Persons entitled to vote a majority in principal amount of the debt securities of the series that are outstanding at the time will constitute a quorum at a meeting of the holders of the debt securities. To vote at a meeting, a person must either hold outstanding debt securities of the relevant series or be duly appointed as a proxy for a holder of the debt securities. The fiscal agent will make all rules governing the conduct of any meeting.

The Fiscal Agency Agreement and a series of debt securities may be modified or amended, without the consent of the holders of the debt securities, to:

- add covenants of the Philippines that benefit holders of the debt securities;
- surrender any right or power given to the Philippines;

- secure the debt securities;
- cure any ambiguity or correct or supplement any defective provision in the Fiscal Agency Agreement or the debt securities, without materially and adversely affecting the interests of the holders of the debt securities.

Replacement of Debt Securities

If a debt security becomes mutilated, defaced, destroyed, lost or stolen, the Philippines may issue, and the fiscal agent will authenticate and deliver, a substitute debt security. The Philippines and the fiscal agent will require proof of any claim that a debt security was destroyed, lost or stolen.

The applicant for a substitute debt security must indemnify the Philippines, the fiscal agent and any other agent for any losses they may suffer relating to the debt security that was destroyed, lost or stolen. The applicant will be required to pay all expenses and reasonable charges associated with the replacement of the mutilated, defaced, destroyed, lost or stolen debt security.

Fiscal Agent

The Philippines will appoint a fiscal agent or agents in connection each series of the debt securities whose duties would be governed by the related Fiscal Agency Agreement. Different fiscal agents may be appointed for different series of debt securities. The Philippines may maintain bank accounts and a banking relationship with each fiscal agent. Each fiscal agent is the agent of the Philippines and does not act as a trustee for the holders of the debt securities.

Notices

All notices will be mailed to the registered holders of a series of debt securities. If a depositary is the registered holder of global securities, each beneficial holder must rely on the procedures of the depositary and its participants to receive notices, subject to any statutory or regulatory requirements.

If the Philippines lists a series of debt securities on the Luxembourg Stock Exchange, and the rules of that exchange so require, all notices to holders of that series of debt securities will be published in a daily newspaper of general circulation in Luxembourg. The Philippines expects that the *Luxemburger Wort* will be the newspaper. If notice cannot be published in an appropriate newspaper, notice will be considered validly given if made pursuant to the rules of the Luxembourg Stock Exchange.

Governing Law

The Fiscal Agency Agreement and the debt securities will be governed by the laws of the State of New York without regard to any principles of New York law requiring the application of the laws of another jurisdiction. Nevertheless, all matters governing the authorization, execution and delivery of the debt securities and the Fiscal Agency Agreement by the Philippines will be governed by the laws of the Philippines.

Further Issues of Debt Securities

The following description does not apply to any series of debt securities that has been designated Collective Action Securities. See “Collective Action Securities — Further Issues of Debt Securities” for a description of the corresponding terms of Collective Action Securities.

The Philippines may, without the consent of the holders of the debt securities, create and issue additional debt securities with the same terms and conditions as any series of bonds (or that are the same in all respects except for the amount of the first interest payment and for the interest paid on the series of debt securities prior to the issuance of the additional debt securities). The Philippines may consolidate such additional debt securities with the outstanding debt securities to form a single series. Any further Debt Securities forming a single series with the outstanding Debt Securities of any series constituted by a Fiscal Agency Agreement shall be constituted by an agreement supplemental to such relevant Fiscal Agency Agreement.

Jurisdiction and Enforceability

The Philippines is a foreign sovereign government and your ability to collect on judgments of US courts against the Philippines may be limited.

The Philippines will irrevocably appoint the Philippine Counsel General in New York, New York as its authorized agent to receive service of process in any suit based on any series of debt securities which any holder of the debt securities may bring in any state or federal court in New York City. The Philippines submits to the jurisdiction of any state or federal court in New York City or any competent court in the Philippines in such action. The Philippines waives, to the extent permitted by law, any objection to proceedings in such courts. The Philippines also waives irrevocably any immunity from jurisdiction to which it might otherwise be entitled in any suit based on any series of debt securities.

Because of its waiver of immunity, the Philippines would be subject to suit in competent courts in the Philippines. Judgments against the Philippines in state or federal court in New York City would be recognized and enforced by the courts of the Philippines in any enforcement action without re-examining the issues if:

- such judgment were not obtained by collusion or fraud;
- the foreign court rendering such judgment had jurisdiction over the case;
- the Philippines had proper notice of the proceedings before the foreign court; and
- such judgment were not based upon a clear mistake of law or fact.

Notwithstanding any of the above, the Philippine Counsel General is not the agent for receipt of service for suits under the US federal or state securities laws, and the Philippines' waiver of immunity does not extend to those actions. In addition, the Philippines does not waive immunity relating to its:

- properties and assets used by a diplomatic or consular mission;
- properties and assets under the control of its military authority or defense agency; and
- properties and assets located in the Philippines and dedicated to a public or Governmental use.

If you bring a suit against the Philippines under federal or state securities laws, unless the Philippines waives immunity, you would be able to obtain a United States judgment against the Philippines only if a court determined that the Philippines is not entitled to sovereign immunity under the United States Foreign Sovereign Immunities Act. Even if you obtained a United States judgment in any such suit, you may not be able to enforce the judgment in the Philippines. Moreover, you may not be able to enforce a judgment obtained under the Foreign Sovereign Immunities Act against the Philippines' property located in the United States except under the limited circumstances specified in the act.

Glossary of Certain Defined Terms

Certain definitions used in the Fiscal Agency Agreement are set forth below. For a full explanation of all of these terms or any capitalized terms used in this section you should refer to the Fiscal Agency Agreement.

“External Indebtedness” means Indebtedness denominated or payable by its terms, or at the option of the holder, in a currency or currencies other than that of the Philippines.

“External Public Indebtedness” means any External Indebtedness in the form of bonds, debentures, notes or other similar instruments or other securities which is, or is eligible to be, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market.

“Indebtedness” means any indebtedness for money borrowed or any guarantee of indebtedness for money borrowed.

“International Monetary Assets” means all (i) gold, (ii) Special Drawing Rights, (iii) Reserve Positions in the Fund and (iv) Foreign Exchange.

“Lien” means any mortgage, deed of trust, charge, pledge, lien or other encumbrance or preferential arrangement which has the practical effect of constituting a security interest.

“Refinanced External Public Indebtedness” means the US\$130,760,000 Series A Interest Reduction Bonds due 2007 issued by the Republic on December 1, 1992, the US\$626,616,000 Series B Interest Reduction Bonds due 2008 issued by the Republic on December 1, 1992, the US\$153,490,000 Series A Principal Collateralized Interest Reduction Bonds due 2018 issued by the Republic on December 1, 1992 and the US\$1,740,600,000 Series B Collateralized Interest Reduction Bonds due 2017 issued by the Republic on December 1, 1992.

“Special Drawing Rights,” “Reserve Positions in the Fund” and “Foreign Exchange”, have, as to the type of assets included, the meanings given to them in the IMF’s publication entitled “International Financial Statistics” or any other meaning formally adopted by the IMF from time to time.

Description of the Warrants

The description below summarizes some of the provisions of warrants for the purchase of bonds that the Republic may issue from time to time and of the Warrant Agreement. Copies of the forms of warrants and the Warrant Agreement are or will be filed as exhibits to the registration statement of which this prospectus is a part. Since it is only a summary, the description may not contain all of the information that is important to you as a potential investor in the warrants.

The description of the warrants that will be contained in the prospectus supplement will supplement this description and, to the extent inconsistent with this description, replace it.

General Terms of the Warrants

Each series of warrants will be issued under a warrant agreement to be entered into between the Republic and a bank or trust company, as warrant agent. The prospectus supplement relating to the series of warrants will set forth:

- The terms of the bonds purchasable upon exercise of the warrants, as described above under “Description of Bonds — General Terms of the Bonds”;
- The principal amount of bonds purchasable upon exercise of one warrant and the exercise price;
- The procedures and conditions for the exercise of the warrants;
- The dates on which the right to exercise the warrants begins and expires;
- Whether and under what conditions the warrants and any bonds issued with the warrants will be separately transferable;
- Whether the warrants will be issued in certificated or global form and, if in global form, information with respect to applicable depositary arrangements;
- If issued in certificated form, whether the warrants will be issued in registered or bearer form, whether they will be exchangeable between such forms, and, if issued in registered form, where they may be transferred and registered; and
- Other specific provisions.

The warrants will be subject to the provisions set forth under “Description of the Securities — Description of the Debt Securities,” “— Governing Law” and “— Jurisdiction and Enforceability”.

Limitations on Issuance of Bearer Debt Securities

Bearer securities will not be offered, sold or delivered in the United States or its possessions or to a United States person, except in certain circumstances permitted by United States tax regulations. Bearer securities will initially be represented by temporary global securities (without interest coupons) deposited with a

common depository in London for the Euroclear System and Cedel for credit to designated accounts. Unless otherwise indicated in the applicable Prospectus Supplement:

- each temporary global security will be exchangeable for definitive bearer securities on or after the date that is 40 days after issuance only upon receipt of certification of non-United States beneficial ownership of the temporary global security as provided in United States tax regulations, provided that no bearer security will be mailed or otherwise delivered to any location in the United States in connection with the exchange; and
- any interest payable on any portion of a temporary global security with respect to any interest payment date occurring prior to the issuance of definitive bearer securities will be paid only upon receipt of certification of non-United States beneficial ownership of the temporary global security as provided in United States tax regulations.

Bearer securities (other than temporary global debt securities) and any related coupons will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States federal income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.” The sections referred to in the legend provide that, with certain exceptions, a United States person who holds a bearer security, or coupon will not be allowed to deduct any loss realized on the disposition of the bearer security, and any gain (which might otherwise be characterized as capital gain) recognized on the disposition will be treated as ordinary income.

For purposes of this section, “United States person” means:

- an individual citizen or resident of the United States;
- a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if a United States court is able to exercise primary supervision over the trust’s administration and one or more United States persons have the authority to control all of the trust’s substantial decisions.

For purposes of this section, “United States” means United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction.

COLLECTIVE ACTION SECURITIES

The Philippines may designate a particular series of debt securities to be “Collective Action Securities,” the specific terms of which will be described in the prospectus supplement relating to such series of debt securities. Collective Action Securities will have the same terms and conditions as the securities described under the heading “Debt Securities” above, except that such Collective Action Securities shall contain different provisions relating to certain aspects of default, acceleration, voting on amendments, modifications, changes waivers and further issues of debt securities as follows:

Events of Default

Each of the following constitutes an event of default with respect to any series of debt securities:

1. **Non-Payment:** the Philippines does not pay principal or interest on any debt securities of such series when due and such failure continues for 30 days;

2. **Breach of Other Obligations:** the Philippines fails to observe or perform any of the covenants in the series of debt securities (other than non-payment) for 60 days after written notice of the default is delivered by any holder of debt securities to the Philippines at the corporate trust office of the fiscal agent in New York City;

3. **Cross Default and Cross Acceleration:**

- (a) the Philippines fails to make a payment of principal, premium, prepayment charge or interest when due on any External Public Indebtedness with a principal amount equal to or greater than \$25,000,000 or its equivalent, and this failure continues beyond the applicable grace period; or
- (b) any External Public Indebtedness of the Philippines or the central bank of the Philippines in principal amount equal to or greater than \$25,000,000 is accelerated, other than by optional or mandatory prepayment or redemption;

For purposes of this event of default, the US dollar equivalent for non-US dollar debt will be computed using the middle spot rate for the relevant currency against the US dollar as quoted by The Chase Manhattan Bank on the date of determination.

4. **Moratorium:** the Philippines declares a general moratorium on the payment of its or the central monetary authority’s External Indebtedness;

5. **Validity:**

- (a) the Philippines, or any governmental body with the legal power and authority to declare such series of debt securities and the related Fiscal Agency Agreement invalid or unenforceable, challenges the validity of such series of debt securities or the related Fiscal Agency Agreement;
- (b) the Philippines denies any of its obligations under such series of debt securities or the related Fiscal Agency Agreement; or
- (c) any legislative executive, or constitutional measure or final judicial decision renders any material provision of such series of debt securities or the related Fiscal Agency Agreement invalid or unenforceable or prevents or delays the performance of the Philippines’ obligations under such series of debt securities or the related Fiscal Agency Agreement;

6. **Failure of Authorizations:** any legislative, executive or constitutional authorization necessary for the Philippines to perform its material obligations under the series of debt securities or the related Fiscal Agency Agreement ceases to be in full force and effect or is modified in a manner materially prejudicial to the holders of the debt securities;

7. **Control of Assets:** The Philippines or the central bank of the Republic does not at all times exercise full control over the Republic’s International Monetary Assets; or

8. **IMF Membership:** The Philippines ceases to be a member of the IMF or loses its eligibility to use the general resources of the IMF.

The events described in paragraphs 2, 4, 5 and 6 will be events of default only if they materially prejudice the interests of holders of the debt securities.

If any of the above events of default occurs and is continuing, holders of the debt securities representing at least 25% in principal amount of the debt securities of that series then outstanding may declare all of the debt securities of the series to be due and payable immediately by written notice to the Philippines and the fiscal agent. The holders of more than 50% of the aggregate principal amount of the outstanding debt securities of the affected series may rescind a declaration of acceleration if the event or events of default giving rise to the declaration have been cured or waived.

Investors should note that:

- despite the procedure described above, no debt securities may be declared due and payable if the Philippines cures the applicable event of default before it receives the written notice from the holders of the debt securities;
- the Philippines is not required to provide periodic evidence of the absence of defaults; and
- the Fiscal Agency Agreement does not require the Philippines to notify holders of the debt securities of an event of default or grant any holder of the debt securities a right to examine the bond register.

Modifications and Amendments; Bondholders' Meetings

The Philippines and the Fiscal Agent may, with the consent of the holders of not less than 75% of the aggregate principal amount of the outstanding debt securities, voting at a meeting or by written consent, make any amendment, modification, change or waiver with respect to the debt securities or the Fiscal Agency Agreement that would:

- change the stated maturity of the principal of the debt securities or the due date of any installment of interest;
- reduce the principal amount of such series of debt securities or the portion of the principal amount payable upon acceleration of such debt securities;
- change the debt securities' interest rate;
- change the currency of payment of principal or interest;
- change the obligation of the Philippines to pay any additional amounts on account of withholding taxes or deductions;
- reduce the percentage of the outstanding principal amount needed to modify or amend the related Fiscal Agency Agreement, any amendment or supplement thereto, or the terms of such series of debt securities;
- change the definition of "outstanding" with respect to the debt securities of such series;
- permit early redemption of the debt securities of the series or, if early redemption is already permitted, set a redemption date earlier than the date previously specified or reduce the redemption price;
- change the governing law provision of the debt securities of that series;
- change the courts to the jurisdiction of which the Philippines has submitted, the Philippines' obligation to appoint and maintain an agent for service of process in the Borough of Manhattan, The City of New York, or the Philippines's waiver of immunity, in respect of actions or proceedings brought by any holder based upon the debt securities of that series;
- in connection with an exchange offer for the debt securities of that series, amend any event of default under the debt securities of that series; or

- change the *pari passu* ranking of the debt securities.

We refer to the above subjects as “reserved matters.” A change to a reserved matter, including the payment terms of the debt securities, can be made without your consent, as long as a supermajority of the holders (that is, the holders of at least 75% of the aggregate principal amount of the outstanding debt securities) agree to the change.

With respect to other types of amendment or modification, the Philippines may, with the consent of the holders of at least 66²/₃% in principal amount of the debt securities that are outstanding, modify and amend the debt securities or, to the extent the modification or amendment affects the debt securities, the Fiscal Agency Agreement or any amendment or supplement thereto.

The Philippines may at any time call a meeting of the holders of debt securities to seek the holders’ approval of the modification, or amendment, or obtain a waiver, of any provision of the debt securities. The meeting will be held at the time and place in the Borough of Manhattan in New York City as determined by the Philippines. The notice calling the meeting must be given at least 30 days and not more than 60 days prior to the meeting.

The holders of at least 10% of the aggregate principal amount of the debt securities that are outstanding may compel the fiscal agent to call a meeting of all holders of the debt securities.

For purposes of a meeting of the holders of the debt securities that does not propose to discuss reserved matters, the persons entitled to vote a majority in principal amount of the debt securities that are outstanding at the time will constitute a quorum. However, if such a meeting is adjourned for a lack of a quorum, then holders or proxies representing 25% of the outstanding principal amount will constitute a quorum when the meeting is rescheduled. For purposes of any meeting of holders that proposes to discuss reserved matters, as specified above, holders or proxies representing 75% of the aggregate principal amount of the outstanding notes will constitute a quorum. To vote at a meeting, a person must either hold outstanding debt securities or be duly appointed as a proxy for a holder of the debt securities. The fiscal agent will make all rules governing the conduct of any meeting.

The Fiscal Agency Agreement and the debt securities may be modified or amended, without the consent of the holders of the debt securities, to:

- add covenants of the Philippines that benefit holders of the debt securities;
- surrender any right or power given to the Philippines;
- secure the debt securities;
- cure any ambiguity or correct or supplement any defective provision in the Fiscal Agency Agreement or the debt securities, without materially and adversely affecting the interests of the holders of the debt securities.

For purposes of determining whether the required percentage of holders of the debt securities of a series has approved any amendment, modification or change to, or waiver of, the debt securities or the fiscal agency agreement, or whether the required percentage of holders has delivered a notice of acceleration of the debt securities of that series, debt securities owned, directly or indirectly, by the Philippines or any public sector instrumentality of the Philippines will be disregarded and deemed not to be outstanding (except that in determining whether the fiscal agent shall be protected in relying upon any amendment, modification, change or waiver, or any notice from holders, only debt securities that the fiscal agent knows to be so owned shall be so disregarded). As used in this paragraph, “public sector instrumentality” means Bangko Sentral, any department, ministry or agency of the Philippines or any corporation, trust, financial institution or other entity owned or controlled by the Philippines or any of the foregoing, and “control” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

Further Issues of Debt Securities

The Philippines may, without the consent of the holders of the debt securities, create and issue additional debt securities with the same terms and conditions as any series of bonds (or that are the same in all respects except for the amount of the first interest payment and for the interest paid on the series of debt securities prior to the issuance of the additional debt securities) provided, however, that such additional notes do not have a greater amount of original issue discount for U.S. federal tax purposes (“OID”) than the outstanding notes have as of the date of the issue of such additional notes. The Philippines may consolidate such additional debt securities with the outstanding debt securities to form a single series. Any further debt securities forming a single series with the outstanding debt securities of any series constituted by a Fiscal Agency Agreement shall be constituted by an supplement to such relevant Fiscal Agency Agreement.

TAXATION

The following discussion summarizes certain Philippine and US federal income tax considerations that may be relevant to you if you invest in debt securities. This summary is based on laws, regulations, rulings and decisions now in effect, all of which may change. Any change could apply retroactively and could affect the continued validity of this summary.

This summary does not describe all of the tax considerations that may be relevant to you or your situation, particularly if you are subject to special tax rules. You should consult your tax advisor about the tax consequences of holding debt securities, including the relevance to your particular situation of the considerations discussed below, as well as of state, local or other tax laws.

Philippine Taxation

The following is a summary of certain Philippine tax consequences that may be relevant to non-Philippine holders of the global bonds in connection with the holding and disposition of the global bonds. The Republic uses the term “non-Philippine holders” to refer to (i) non-residents of the Philippines who are neither citizens of the Philippines nor are engaged in trade or business within the Philippines or (ii) non-Philippine corporations not engaged in trade or business in the Philippines.

This summary is based on Philippine laws, rules, and regulations now in effect, all of which are subject to change. It is not intended to constitute a complete analysis of the tax consequences under Philippine law of the receipt, ownership, or disposition of the global bonds, in each case by non-Philippine holders, nor to describe any of the tax consequences that may be applicable to residents of the Republic.

Effect of Holding Global Bonds. Payments by the Republic of principal of and interest on the global bonds to a non-Philippine holder will not subject such non-Philippine holder to taxation in the Philippines by reason solely of the holding of the global bonds or the receipt of principal or interest in respect thereof.

Taxation of Interest on the Global Bonds. When the Republic makes payments of principal and interest to you on the global bonds, no amount will be withheld from such payments for, or on account of, any taxes of any kind imposed, levied, withheld or assessed by the Philippines or any political subdivision or taxing authority thereof or therein.

Taxation of Capital Gains. Non-Philippine holders of the global bonds will not be subject to Philippine income or withholding tax in connection with the sale, exchange, or retirement of a global bond if such sale, exchange or retirement is made outside the Philippines or an exemption is available under an applicable tax treaty in force between the Philippines and the country of domicile of the non-Philippine holder.

Documentary Stamp Taxes. No documentary stamp tax is imposed upon the transfer of the global bonds. A documentary stamp tax is payable upon the issuance of the global bonds and will be for the account of the Republic.

Estate and Donor's Taxes. The transfer of a global bond by way of succession upon the death of a non-Philippine holder will be subject to Philippine estate tax at progressive rates ranging from 5% to 20% if the value of the net estate of properties located in the Philippines is over ₱200,000.

The transfer of a global bond by gift to an individual who is related to the nonresident holder will generally be subject to a Philippine donor's tax at progressive rates ranging from 2% to 15% if the value of the net gifts of properties located in the Philippines exceed ₱100,000 during the relevant calendar year. Gifts to unrelated donees are generally subject to tax at a flat rate of 30%. An unrelated donee is a person who is not a (i) brother, sister (whether by whole or half blood), spouse, ancestor, or lineal descendant or (ii) relative by consanguinity in the collateral line within the fourth degree of relationship.

The foregoing apply even if the holder is a nonresident holder. However, the Republic will not collect estate and donor's taxes on the transfer of the global bonds by gift or succession if the deceased at the time of death, or the donor at the time of donation, was a citizen and resident of a foreign country that provides certain reciprocal rights to citizens of the Philippines (a “Reciprocating Jurisdiction”). For these purposes, a

Reciprocating Jurisdiction is a foreign country which at the time of death or donation (i) did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing in that foreign country or (ii) allowed a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in that foreign country.

United States Tax Considerations

The following discussion summarizes certain US federal income tax considerations that may be relevant to you if you invest in debt securities. This summary is based on the Internal Revenue Code of 1986, as amended (the “Code”), applicable US Treasury Regulations, published rulings, administrative pronouncements, and court decisions in effect on the date of this prospectus, all of which are subject to change, possibly with retroactive effect. Any such change could affect the tax consequences described below. This summary deals only with US holders that hold debt securities as capital assets. It does not address considerations that may be relevant to you if you are an investor that is subject to special tax rules, such as a bank, thrift, real estate investment trust, regulated investment company, insurance company, dealer in securities or currencies, trader in securities or commodities that elects mark to market treatment, a person that will hold debt securities as a hedge against currency risk or as a position in a “straddle” or conversion transaction, tax exempt organization or a person whose “functional currency” is not the US dollar.

You will be a US holder if you are (i) an individual who is a citizen or resident of the United States, (ii) a corporation for US federal income tax purposes created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), (iii) an estate the income of which is subject to US federal income taxation regardless of its source or (iv) a trust if a court within the United States is able to execute primary supervision over its administration and one or more US persons have authority to control the substantial decisions of such trust. Notwithstanding the preceding sentence, to the extent provided in US Treasury Regulations, certain trusts in existence on August 20, 1996, and treated as United States persons prior to such date, that elected to be treated as a United States person shall also be considered US Holders. If you are a partner in a partnership that holds debt securities, the tax consequences of an investment in debt securities will generally depend on the status of the partners and the activities of the partnership. If you are not a US holder, consult the discussions below under the captions “Non-US Holders” and “Information Reporting and Backup Withholding.”

You should consult your own tax advisor concerning the particular US federal income tax consequences to you of ownership and disposition of debt securities, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

United States Holders

Payments or Accruals of Interest

Payments or accruals of “qualified stated interest” (as defined below) on a debt security will be taxable to you as ordinary interest income at the time that you receive or accrue such amounts (in accordance with your regular method of tax accounting). If you use the cash method of tax accounting and you receive payments of interest pursuant to the terms of a debt security in a currency other than US dollars (a “foreign currency”), the amount of interest income you will realize will be the US dollar value of the foreign currency payment based on the exchange rate in effect on the date you receive the payment regardless of whether you convert the payment into US dollars. If you are an accrual basis US holder, the amount of interest income you will realize will be based on the average exchange rate in effect during the interest accrual period (or with respect to an interest accrual period that spans two taxable years, at the average exchange rate for the partial period within the taxable year). Alternatively, as an accrual basis US holder, you may elect to translate all interest income on foreign currency denominated debt securities at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year, in the case of an accrual period that spans more than one taxable year) or on the date that you receive the interest payment if that date is within five business days of the end of the accrual period. If you make this election you must apply it consistently to all debt instruments from year to

year and you cannot change the election without the consent of the Internal Revenue Service (the “IRS”). If you use the accrual method of accounting for tax purposes you will recognize foreign currency gain or loss on the receipt of a foreign currency interest payment if the exchange rate in effect on the date the payment is received differs from the rate applicable to a previous accrual of that interest income. This foreign currency gain or loss will be treated as ordinary income or loss, but generally will not be treated as an adjustment to interest income received on the debt security.

Payments of interest on the debt securities will be treated as foreign source income for US federal income tax purposes. For US foreign tax credit purposes, interest on the debt securities will generally constitute “passive income,” or in the case of certain US holders, “financial services income”.

The Purchase, Sale and Retirement of Debt Securities

Initially, your tax basis in a debt security generally will equal the cost of the debt security to you. Your basis will increase by any amounts that you are required to include in income under the rules governing original issue discount and market discount, and will decrease by the amount of any amortized premium and any payments other than qualified stated interest made on the debt security. The rules for determining these amounts are discussed below. If you purchase a debt security that is denominated in a foreign currency, the cost to you (and therefore generally your initial tax basis) will be the US dollar value of the foreign currency purchase price on the date of purchase calculated at (i) the exchange rate in effect on that date or (ii) if the foreign currency debt security is traded on an established securities market and you are a cash basis taxpayer, or if you are an accrual basis taxpayer that makes a special election, the spot rate of exchange on the settlement date of your purchase. The amount of any subsequent adjustments to your tax basis in a debt security in respect of foreign currency denominated original issue discount, market discount and premium will be determined in the manner described below. If you convert US dollars into a foreign currency and then immediately use that foreign currency to purchase a debt security, you generally will not have any taxable gain or loss as a result of the conversion or purchase.

When you sell or exchange a debt security, or if a debt security is retired, you generally will recognize gain or loss equal to the difference between the amount you realize on the transaction (less any accrued but unpaid interest not previously included in income, which will be subject to tax in the manner described above under “Payments or Accruals of Interest”) and your tax basis in the debt security. If you sell or exchange a debt security for a foreign currency, or receive foreign currency on the retirement of a debt security, the amount you will realize for US tax purposes generally will be the US dollar value of the foreign currency that you receive calculated at (i) the exchange rate in effect on the date the foreign currency debt security is disposed of or retired or (ii) if you dispose of a foreign currency debt security that is traded on an established securities market and you are a cash basis US holder, or if you are an accrual basis holder that makes a special election, the spot rate of exchange on the settlement date of the sale, exchange or retirement.

The special election available to you if you are an accrual basis taxpayer in respect of the purchase and sale of foreign currency debt securities traded on an established securities market, which is discussed in the two preceding paragraphs, must be applied consistently to all debt instruments from year to year and cannot be changed without the consent of the IRS.

Except as discussed below with respect to market discount and foreign currency gain or loss, the gain or loss that you recognize on the sale, exchange or retirement of a debt security generally will be long-term capital gain or loss if you have held the debt security for more than one year. The Code provides preferential treatment under certain circumstances for net long-term capital gains recognized by individual non-corporate investors. Capital gain or loss, if any, recognized by a US holder generally will be treated as US source income or loss for US foreign tax credit purposes. The ability of US holders to offset capital losses against income is limited.

Despite the foregoing, the gain or loss that you recognize on the sale, exchange or retirement of a foreign currency debt security generally will be treated as ordinary income or loss to the extent that the gain or loss is attributable to changes in exchange rates during the period in which you held the debt security. This foreign

currency gain or loss will not be treated as an adjustment to interest income that you receive on the debt security.

Original Issue Discount

If the Republic issues debt securities at a discount from their stated redemption price at maturity, and the discount is equal to or more than the product of one-fourth of one percent (0.25%) of the stated redemption price at maturity of the debt securities multiplied by the number of full years to their maturity, the debt securities will be “OID debt securities”. The difference between the issue price and the stated redemption price at maturity of the debt securities will be the “original issue discount” or “OID”. The “issue price” of the debt securities will be the first price at which a substantial amount of the debt securities are sold to the public (*i.e.*, excluding sales of debt securities to underwriters, placement agents, wholesalers, or similar persons). The “stated redemption price at maturity” will include all payments under the debt securities other than payments of qualified stated interest. The term “qualified stated interest” generally means stated interest that is unconditionally payable in cash or property (other than debt instruments issued by the Republic) at least annually during the entire term of a debt security at a single fixed interest rate or, subject to certain conditions, based on one or more interest indices.

If you invest in OID debt securities you generally will be subject to the special tax accounting rules for OID obligations provided by the Code and certain US Treasury Regulations. You should be aware that, as described in greater detail below, if you invest in an OID debt security you generally will be required to include OID in ordinary gross income for US federal income tax purposes as it accrues, although you may not yet have received the cash attributable to that income.

In general, and regardless of whether you use the cash or the accrual method of tax accounting, if you are the holder of an OID debt security with a maturity greater than one year, you will be required to include in ordinary gross income the sum of the “daily portions” of OID on that debt security for all days during the taxable year that you own the debt security. The daily portions of OID on an OID debt security are determined by allocating to each day in any accrual period a ratable portion of the OID allocable to that period. Accrual periods may be any length and may vary in length over the term of an OID debt security, so long as no accrual period is longer than one year and each scheduled payment of principal or interest occurs on the first or last day of an accrual period. If you are the initial holder of the debt security, the amount of OID on an OID debt security allocable to each accrual period is determined by:

- (i) multiplying the “adjusted issue price” (as defined below) of the debt security at the beginning of the accrual period by a fraction, the numerator of which is the annual yield to maturity of the debt security and the denominator of which is the number of accrual periods in a year; and
- (ii) subtracting from that product the amount (if any) of qualified stated interest payments allocable to that accrual period.

An OID debt security that is a floating rate debt security will be subject to special rules. Generally, if a floating rate debt security qualifies as a “variable rate debt instrument” (as defined in applicable US Treasury Regulations), then (i) all stated interest with respect to such floating rate debt security will be qualified stated interest and hence included in a US holder’s income in accordance with such US holder’s normal method of accounting for US federal income tax purposes, and (ii) the amount of OID, if any, will be determined under the general OID rules (as described above) by assuming that the variable rate is a fixed rate equal, in general, to the value, as of the issue date, of the floating rate.

If a floating rate debt security does not qualify as a “variable rate debt instrument”, such floating rate debt security will be classified as a contingent payment debt instrument and will be subject to special rules for calculating the accrual of stated interest and original issue discount.

Any special considerations with respect to the tax consequences of holding a floating rate debt security will be provided in the applicable prospectus supplement.

The “adjusted issue price” of an OID debt security at the beginning of any accrual period will generally be the sum of its issue price (including any accrued interest) and the amount of OID previously includable in the gross income of the holder, reduced by the amount of all payments other than any qualified stated interest payments on the debt security in all prior accrual periods. All payments on an OID debt security, other than qualified stated interest, generally will be viewed first as payments of previously accrued OID (to the extent of the previously accrued discount), with payments considered made from the earliest accrual periods first, and then as a payment of principal. The “annual yield to maturity” of a debt security is the discount rate (appropriately adjusted to reflect the length of accrual periods) that causes the present value on the issue date of all payments on the debt security to equal the issue price. As a result of this “constant yield” method of including OID income, you will generally be required to include in your gross income increasingly greater amounts of OID over the life of OID debt security.

You generally may make an irrevocable election to include in income your entire return on a debt security (*i.e.*, the excess of all remaining payments to be received on the debt security, including payments of qualified stated interest, over the amount you paid for the debt security) under the constant yield method described above. For debt securities purchased at a premium or bearing market discount in your hands, if you make this election you will also be deemed to have made the election (discussed below under the caption “Premium and Market Discount”) to amortize premium or to accrue market discount in income currently on a constant yield basis.

In the case of an OID debt security that is also a foreign currency debt security, you should determine the US dollar amount includable as OID for each accrual period by (i) calculating the amount of OID allocable to each accrual period in the foreign currency using the constant yield method, and (ii) translating the foreign currency amount so determined at the average exchange rate in effect during that accrual period (or, with respect to an interest accrual period that spans two taxable years, at the average exchange rate for the partial period within the taxable year). Alternatively, you may translate the foreign currency amount so determined at the spot rate of exchange on the last day of the accrual period (or the last day of the taxable year, for an accrual period that spans two taxable years) or at the spot rate of exchange on the date of receipt, if that date is within five business days of the last day of the accrual period, provided that you have made the election described under the caption “Payment or Accruals of Interest” above. Because exchange rates may fluctuate, if you are the holder of an OID debt security that is also a foreign currency debt security you may recognize a different amount of OID income in each accrual period than would be the case if you were the holder of an otherwise similar OID debt security denominated in US dollars. Upon the receipt of an amount attributable to OID (whether in connection with a payment of an amount that is not qualified stated interest or the sale or retirement of the OID debt security), you will recognize ordinary income or loss measured by the difference between the amount received, translated into US dollars at the exchange rate in effect on the date of receipt or on the date of disposition of the OID debt security, as the case may be, and the amount accrued, using the exchange rate applicable to such previous accrual.

If you purchase an OID debt security outside of the initial offering at a cost less than its “remaining redemption amount”, or if you purchase an OID debt security in the initial offering at a price other than the debt security’s issue price, you will also generally be required to include in gross income the daily portions of OID, calculated as described above. However, if you acquire an OID debt security at a price (i) less than or equal to the remaining redemption amount but (ii) greater than its adjusted issue price, you will be entitled to reduce your periodic inclusions to reflect the premium paid over the adjusted issue price. (As discussed under “Premium and Market Discount” below, if you purchase an OID debt security at a price greater than its remaining redemption amount, the OID rules described in this section will not apply.) The “remaining redemption amount” for an OID debt security is the total of all future payments to be made on the debt security other than qualified stated interest.

Certain of the OID debt securities may be redeemed prior to maturity, either at the option of the Republic or at the option of the holder, or may have special repayment or interest rate reset features as indicated in the pricing supplement. OID debt securities containing these features may be subject to rules that differ from the general rules discussed above. If you purchase OID debt securities with these features, you

should carefully examine the pricing supplement and consult your tax advisor about their treatment since the tax consequences of OID will depend, in part, on the particular terms and features of the debt securities.

OID accrued with respect to an OID debt security will be treated as foreign source income for US federal income tax purposes. For US foreign tax credit purposes, OID accrued with respect to an OID debt security will generally constitute “passive income,” or in the case of certain US holders, “financial services income”.

Short-Term Debt Securities

Special rules may apply to a debt security with a maturity of one year or less (“a short-term debt security”). If you are an accrual basis holder, you will be required to accrue OID on the short-term debt security on either a straight line basis or, at the election of the holder, under a constant yield method (based on daily compounding). No interest payments on a short-term debt security will be qualified stated interest. Consequently, such interest payments are included in the short-term debt security’s stated redemption price at maturity. Since the amount of OID is calculated in the same manner as described above under “Original Issue Discount,” such interest payments may give rise to OID (or acquisition discount, as defined below) even if the short-term debt securities are not actually issued at a discount. If you are a cash basis holder and do not elect to include OID in income as it accrues, you will not be required to include OID in income until you actually receive payments on the debt security. However, you will be required to treat any gain upon the sale, exchange or retirement of the debt security as ordinary income to the extent of the accrued OID on the debt security that you have not yet taken into income at the time of the sale. Also, if you borrow money (or do not repay outstanding debt) to acquire or hold the debt security, you may not be allowed to deduct interest on the borrowing that corresponds to accrued OID on the debt security until you include the OID in your income.

Alternatively, regardless of whether you are a cash basis or accrual basis holder, you can elect to accrue any “acquisition discount” with respect to the short-term debt security on a current basis. Acquisition discount is the excess of the stated redemption price at maturity of the debt security over the purchase price. Acquisition discount will be treated as accruing rateably or, at the election of the holder, under a constant yield method (based on daily compounding). If you elect to accrue acquisition discount, the OID rules will not apply. US holders should consult their own tax advisors as to the application of these rules.

As described above, certain of the debt securities may be subject to special redemption features. These features may affect the determination of whether a debt security has a maturity of one year or less and thus is a short-term debt security. If you purchase a debt security, you should carefully examine the pricing supplement and consult your tax advisor about these features.

Premium and Market Discount

If you purchase a debt security at a cost greater than the debt security’s remaining redemption amount, you will be considered to have purchased the debt security at a premium, and you may elect to amortize the premium as an offset to interest income, using a constant yield method, over the remaining term of the debt security. If you make this election, it generally will apply to all debt instruments that you hold at the time of the election, as well as any debt instruments that you subsequently acquire. In addition, you may not revoke the election without the consent of the IRS. If you elect to amortize the premium you will be required to reduce your tax basis in the debt security by the amount of the premium amortized during your holding period. In the case of premium on a foreign currency debt security, you should calculate the amortization of the premium in the foreign currency. Amortization deductions attributable to a period reduce interest payments in respect of that period, and therefore are translated into US dollars at the rate that you use for those interest payments. Exchange gain or loss will be realized with respect to amortized premium on a foreign currency debt security based on the difference between the exchange rate computed on the date or dates the premium is amortized against interest payments on the debt security and the exchange rate on the date when the holder acquired the debt security. For a US holder that does not elect to amortize premium, the amount of premium will be included in your tax basis when the debt security matures or is disposed of. Therefore, if you do not elect to amortize premium and you hold the debt security to maturity, you generally will be required to treat the premium as capital loss when the debt security matures.

A debt security, other than a short-term debt security, will be treated as purchased at a market discount (a “market discount debt security”) if the debt security’s stated redemption price at maturity or, in the case of OID debt security, the debt security’s “revised issue price”, exceeds the amount for which the US Holder purchased the debt security by at least one-fourth of one per cent (0.25%) of such debt security’s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the debt security’s maturity. For these purposes, the “revised issue price” of a debt security generally equals its issue price, increased by the amount of any OID that has accrued on the debt security.

Any gain recognized on the maturity or disposition of a market discount debt security will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on such debt security. Alternatively, a US holder of a market discount debt security may elect to include market discount in income currently over the life of the debt security. Such an election shall apply to all debt instruments with market discount acquired by the electing US holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the Internal Revenue Service.

Market discount on a market discount debt security will accrue on a straight line basis unless the US holder elects to accrue such market discount on a constant yield method. Such an election shall apply only to the debt security with respect to which it is made and may not be revoked. A US holder of a market discount debt security that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to such debt security in an amount not exceeding the accrued market discount on such debt security until the maturity or disposition of such debt security. Any accrued market discount on a foreign currency debt security that is currently includable in income will generally be translated into US dollars at the average rate for the accrual periods (or portion thereof within the holder’s taxable year).

Warrants

A description of the tax consequences of an investment in warrants will be provided in the applicable prospectus supplement.

Indexed Debt Securities and Other Debt Securities Providing for Contingent Payment

Special rules govern the tax treatment of debt obligations that provide for contingent payments (“contingent debt obligations”). These rules generally require accrual of interest income on a constant yield basis in respect of contingent debt obligations at a yield determined at the time of issuance of the obligation, and may require adjustments to these accruals when any contingent payments are made. In addition, special rules may apply to floating rate debt securities if the interest payable on the debt securities is based on more than one interest rate index. We will provide a detailed description of the tax considerations relevant to US holders of any debt securities that are subject to the special rules discussed in this paragraph in the relevant prospectus supplement.

Non-US Holders

The following summary applies to you if you are not a US holder, as defined above.

Subject to the discussion below under the caption “Information Reporting and Backup Withholding”, the interest income that you derive in respect of the debt securities generally will be exempt from US federal income taxes, including US withholding tax on payments of interest (including OID) unless such income is effectively connected with the conduct of a trade or business within the United States. Further, any gain you realize on a sale or exchange of debt securities generally will be exempt from US federal income tax, including US withholding tax, unless:

- your gain is effectively connected with your conduct of a trade or business within the United States; or
- you are an individual holder and are present in the United States for 183 days or more in the taxable year of the sale, and either (i) your gain is attributable to an office or other fixed place of business that you maintain in the United States or (ii) you have a tax home in the United States.

Information Reporting and Backup Withholding

In general, information reporting requirements may apply to certain payments made within the United States of interest on a debt security, including payments made by the US office of a paying agent, broker or other intermediary, and to proceeds of a sale, exchange, or retirement of debt security effected at the US office of a US or foreign broker. A “backup withholding” tax may apply to such payments or proceeds if the beneficial owner fails to provide a correct taxpayer identification number or to otherwise comply with the applicable backup withholding rules. Certain persons (including, among others, corporations) and non-US holders which provide an appropriate certification or otherwise qualify for exemption are not subject to the backup withholding and information reporting requirements.

The proceeds of the sale, exchange, retirement or other disposition of debt securities effected through a foreign office of a broker that is a US controlled person will be subject to information reporting, but are not generally subject to backup withholding. A “US controlled person” is (i) a United States person, (ii) a controlled foreign corporation for United States federal income tax purposes, (iii) a foreign person for which 50% or more of its gross income from all sources, over as specified three year period, is effectively connected with a United States trade or business or (iv) a foreign partnership that, at any time in its taxable year, is 50% or more (by income or capital interest) owned by a United States person or is engaged in the conduct of a United States trade or business.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment made to a US holder generally may be claimed as a credit against such holder’s US federal income tax liability provided the appropriate information is furnished to the IRS.

PLAN OF DISTRIBUTION

The Republic may sell the debt securities or warrants in any of three ways:

- through underwriters or dealers;
- directly to one or more purchasers; or
- through agents.

The prospectus supplement relating to a particular series of debt securities or warrants will set out:

- the names of any underwriters or agents;
- the purchase price of the securities;
- the proceeds to the Republic from the sale;
- any underwriting discounts and other compensation;
- the initial public offering price;
- any discounts or concessions allowed, reallocated or paid to dealers; and
- any securities exchanges on which the securities will be listed.

Any underwriter involved in the sale of securities will acquire the securities for its own account. The underwriters may resell the securities from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices to be determined at the time of sale. The securities may be offered to the public either by underwriting syndicates represented by managing underwriters or by underwriters without a syndicate. Unless the prospectus supplement states otherwise, the underwriters will benefit from certain conditions that must be satisfied before they are obligated to purchase such securities and they will be obligated to purchase all of the securities if any are purchased. The underwriters may change any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers.

If the Republic sells debt securities or warrants through agents, the prospectus supplement will identify the agent and indicate any commissions payable by the Republic. Unless the prospectus supplement states otherwise, all agents will act on a best efforts basis.

The Republic may authorize agents, underwriters or dealers to solicit offers by certain specified entities to purchase the securities from the Republic at the public offering price set forth in a prospectus supplement pursuant to delayed delivery contracts. The prospectus supplement will set out the conditions of the delayed delivery contracts and the commission receivable by the agents, underwriters or dealers for soliciting the contracts.

The Republic may offer securities as full, partial or alternative consideration for the purchase of other securities of the Republic, either in connection with a publicly announced tender, exchange or other offer for such securities or in privately negotiated transactions. The offer may be in addition to or in lieu of sales of securities directly or through underwriters or agents.

Agents and underwriters may be entitled to indemnification by the Republic against certain liabilities, including liabilities under the United States Securities Act of 1933, or to contribution from the Republic with respect to certain payments which the agents or underwriters may be required to make. Agents and underwriters may be customers of, engage in transactions with, or perform services (including commercial and investment banking services) for, the Republic in the ordinary course of business.

In compliance with NASD guidelines the maximum compensation to any underwriters or agents in connection with the sale of any securities pursuant to the prospectus and applicable prospectus supplements will not exceed 8% of the aggregate total offering price to the public of such securities as set forth on the cover page of the applicable prospectus supplement; however, it is anticipated that the maximum compensation paid will be significantly less than 8%.

Unless otherwise specified in the applicable prospectus supplement, if the Republic offers and sells securities outside the United States, each underwriter or dealer will acknowledge that:

- the securities offered have not been and will not be registered under the US Securities Act of 1933; and
- may not be offered or sold in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act of 1933. Each participating underwriter or dealer will agree that it has not offered or sold, and will not offer or sell, any debt securities constituting part of its allotment in the United States except in accordance with Rule 903 of Regulation S under the US Securities Act of 1933. Accordingly, each underwriter or dealer will agree that neither the underwriter nor dealer nor its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the securities.

VALIDITY OF THE SECURITIES

The Secretary of the Department of Justice of the Republic will provide an opinion on behalf of the Republic as to the validity of the securities under Philippine law. Allen & Overy, United States counsel for the Republic, will provide an opinion on behalf of the Republic as to the validity of the securities under US and New York State law. US and Philippine counsel named in the applicable prospectus supplement will provide an opinion as to certain legal matters on behalf of the underwriters named in the applicable prospectus supplement.

AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

The authorized agent of the Republic in the United States is Hon. Cecilia B. Rebong, Consul General, the Philippine Consulate General, 556 Fifth Avenue, New York, New York 10036-5095.

EXPERTS; OFFICIAL STATEMENTS AND DOCUMENTS

Mina Figueroa, in her official capacity as National Treasurer of the Republic, reviewed the information set forth in the prospectus relating to the Republic, which information is included in the prospectus on his authority.

FURTHER INFORMATION

The Republic filed a registration statement with respect to the securities with the Securities and Exchange Commission under the US Securities Act of 1933, as amended, and its related rules and regulations. You can find additional information concerning the Republic and the securities in the registration statement and any pre- or post-effective amendment, including its various exhibits, which may be inspected at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street N.W., Washington, D.C. 20549.

DEBT TABLES OF THE REPUBLIC OF THE PHILIPPINES

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GUARANTEED EXTERNAL DEBTS OF THE REPUBLIC OF THE PHILIPPINES⁽¹⁾
AS OF DECEMBER 31, 2003
IN MILLIONS

CURRENCY	INTEREST RATE BASIS	INTEREST RATE/ SPREAD/ SERVICE CHARGE (Per Annum)	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003		
					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	
GRAND TOTAL						18,527.93		12,347.51	
I. NATIONAL GOVERNMENT DIRECT GUARANTEE ON GOCC LOANS						18,069.45		12,075.21	
A. LOANS						13,091.27		7,097.04	
SWISS FRANCS						81.46	65.18	7.70	6.16
	FIXED RATE	8.8750%	1992	2004	34.31	27.45	1.72	1.37	
	SWISS EXPORT BASE RATE	1.3750%	1993	2004	6.50	5.20	0.50	0.40	
	SWISS EXPORT BASE RATE	1.3750%	1993	2004	40.65	32.53	5.48	4.39	
DEUTSCHE MARKS					850.93	543.19	387.13	247.12	
	FIXED RATE	7.0000%	1995	2035	30.70	19.60	26.70	17.04	
	FIXED RATE	2.0000%	1990	2020	150.00	95.75	25.22	16.10	
	FIXED RATE	2.0000%	1988	2018	46.00	29.36	33.35	21.29	
	FIXED RATE	9.0000%	1992	2032	60.00	38.30	68.87	43.96	
	FIXED RATE	9.0000%	1993	2033	60.00	38.30	59.95	38.27	
	FIXED RATE	9.0000%	1993	2023	30.40	19.41	30.40	19.41	
	FIXED RATE	2.0000%	1981	2016	15.50	9.89	6.02	3.84	
	FIXED RATE	2.0000%	1981	2011	0.60	0.38	0.24	0.15	
	FIXED RATE	7.5000%	1995	2035	14.75	9.42	14.75	9.42	
	FIXED RATE	2.0000%	1981	2011	4.70	3.00	1.86	1.19	
	FIXED RATE	2.0000%	1979	2009	7.00	4.47	1.93	1.23	
	FIXED RATE	2.0000%	1979	2015	35.80	22.85	13.20	8.43	
	FIXED RATE	7.5000%	1995	2035	50.10	31.98	44.70	28.53	
	FIXED RATE	2.0000%	1979	2009	2.80	1.79	0.77	0.49	
	FIXED RATE	9.0000%	1993	2033	145.00	92.56	9.20	5.87	
	FIXED RATE	6.5000%	1996	2008	15.00	9.58	0.00	0.00	
	FIXED RATE	9.0000%	1995	2036	12.80	8.17	6.86	4.38	
	FIXED RATE	6.5000%	1996	2036	9.30	5.94	16.54	10.56	
	GERMAN CAPITAL MARKET RATE	0.0000%	1991	2031	17.25	11.01	2.52	1.61	
	GERMAN CAPITAL MARKET RATE	0.0000%	1992	2005	26.00	16.60	1.81	1.15	
	GERMAN CAPITAL MARKET RATE	0.0000%	1993	2005	39.60	25.28	12.93	8.26	
	GERMAN CAPITAL MARKET RATE	0.0000%	1993	2005	15.00	9.58	6.18	3.94	
	LIBOR-6MOS. DEPOSIT	1.0000%	1992	2004	18.70	11.94	0.94	0.60	
	LIBOR-6MOS. DEPOSIT	0.0000%	1994	2004	43.93	28.05	2.20	1.40	
EURO					39.33	49.10	11.12	13.88	
	INTEREST FREE	0.0000%	2000	2013	7.81	9.75	7.81	9.75	
	FIXED RATE	3.0000%	1999	2039	14.69	18.34	0.21	0.26	
	FIXED RATE	3.0000%	2001	2040	9.35	11.67	1.97	2.45	
	LIBOR-6MOS. DEPOSIT	0.0000%	2003	2010	7.48	9.34	1.14	1.42	
SPANISH PESETAS					1,262.24	9.47	597.83	4.49	
	FIXED RATE	2.5000%	1993	2013	631.12	4.74	523.46	3.93	
	ORGANIZATION FOR ECONOMIC COOPERATION DEVELOPMENT RATE	0.0000%	1993	2004	631.12	4.74	74.37	0.56	
FRENCH FRANCS					469.61	89.38	294.25	56.01	
	FIXED RATE	6.8500%	1994	2006	9.42	1.79	3.79	0.72	
	FIXED RATE	3.0000%	1990	2021	4.86	0.93	4.37	0.83	
	FIXED RATE	3.0000%	1990	2021	0.38	0.07	0.35	0.07	
	FIXED RATE	3.5000%	1979	2005	80.00	15.23	6.00	1.14	
	FIXED RATE	3.0000%	1990	2021	1.68	0.32	1.44	0.27	
	FIXED RATE	3.1000%	1994	2014	10.09	1.92	8.54	1.63	
	FIXED RATE	3.3000%	1994	2014	4.94	0.94	4.06	0.77	
	FIXED RATE	3.0000%	1990	2021	1.45	0.28	1.20	0.23	
	FIXED RATE	2.5000%	1991	2022	6.44	1.22	6.11	1.16	
	FIXED RATE	3.1000%	1994	2014	9.90	1.89	8.37	1.59	
	FIXED RATE	3.0000%	1990	2022	0.76	0.14	0.74	0.14	
	FIXED RATE	8.1000%	1994	2005	1.69	0.32	0.25	0.05	
	FIXED RATE	3.0000%	1988	2021	45.88	8.73	35.56	6.77	
	FIXED RATE	3.0000%	1990	2021	6.26	1.19	5.48	1.04	
	FIXED RATE	3.0000%	1990	2021	1.41	0.27	1.27	0.24	
	FIXED RATE	3.0000%	1990	2021	1.69	0.32	1.51	0.29	
	FIXED RATE	5.4500%	1990	2016	120.00	22.84	78.00	14.85	
	FIXED RATE	2.5000%	1991	2022	8.06	1.53	7.26	1.38	
	FIXED RATE	3.0000%	1990	2022	1.22	0.23	1.13	0.21	
	FIXED RATE	3.0000%	1990	2022	6.12	1.16	5.66	1.08	
	FIXED RATE	3.0000%	1990	2021	4.73	0.90	3.91	0.74	
	FIXED RATE	3.0000%	1990	2022	0.36	0.07	0.33	0.06	
	FIXED RATE	3.0000%	1990	2022	2.25	0.43	1.91	0.36	
	FIXED RATE	3.0000%	1988	2021	4.12	0.78	3.40	0.65	
	FIXED RATE	8.1000%	1994	2006	5.00	0.95	1.24	0.24	
	FIXED RATE	3.1000%	1994	2014	42.62	8.11	33.40	6.36	
	FIXED RATE	6.8700%	1996	2017	24.65	4.69	11.09	2.11	
	FIXED RATE	1.5000%	1996	2022	8.42	1.60	7.98	1.52	
	FIXED RATE	1.5000%	1996	2022	4.46	0.85	4.34	0.83	
	FIXED RATE	1.5000%	1996	2022	7.49	1.43	7.49	1.43	
	FIXED RATE	1.5000%	1996	2022	10.46	1.99	10.46	1.99	
	FIXED RATE	1.5000%	1996	2022	0.45	0.09	2.99	0.57	

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					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
KOREAN WON	FIXED RATE	5.4500%	1991	2018	30.00	5.71	22.65	4.31
	FIXED RATE	3.3000%	1994	2014	1.14	0.22	0.90	0.17
	FIXED RATE	3.0000%	1990	2022	0.48	0.09	0.42	0.08
	FIXED RATE	3.0000%	1990	2022	0.70	0.13	0.67	0.13
					16,894.00	14.11	13,572.73	11.33
	FIXED RATE	3.5000%	1995	2015	8,249.00	6.89	6,562.27	5.48
	FIXED RATE	3.5000%	1995	2015	8,645.00	7.22	7,010.47	5.85
POUNDS STERLING					7.74	13.72	3.10	5.49
JAPANESE YEN	FIXED RATE	5.9500%	1995	2007	684,547.25	6,390.93	398,516.95	3,720.55
	FIXED RATE	2.5000%	1992	2022	6,686.00	62.42	6,033.70	56.33
	FIXED RATE	6.5000%	1991	2004	13,214.97	123.37	328.60	3.07
	FIXED RATE	3.0000%	1994	2024	15,000.00	140.04	12,699.81	118.57
	FIXED RATE	2.5000%	1989	2006	5,003.68	46.71	2,471.84	23.08
	FIXED RATE	2.5000%	1991	2021	30,084.00	280.86	25,681.46	239.76
	FIXED RATE	2.7000%	1988	2004	1,936.96	18.08	645.65	6.03
	FIXED RATE	6.5000%	1991	2011	12,215.94	114.05	6,304.50	58.86
	FIXED RATE	3.0000%	1994	2024	22,500.00	210.06	22,500.00	210.06
	FIXED RATE	5.5000%	1992	2010	20,550.00	191.85	3,507.32	32.74
	FIXED RATE	4.7000%	1993	2009	17,812.50	166.30	5,371.85	50.15
	FIXED RATE	5.8000%	1992	2004	27,885.85	260.34	2,384.79	22.26
	FIXED RATE	2.5000%	1995	2025	5,283.00	49.32	716.44	6.69
	FIXED RATE	2.1000%	1995	2025	848.00	7.92	488.96	4.56
	FIXED RATE	2.5000%	1995	2025	1,104.00	10.31	1,021.72	9.54
	FIXED RATE	2.1000%	1995	2025	248.00	2.32	328.78	3.07
	FIXED RATE	2.7000%	1995	2025	11,394.00	106.37	10,211.48	95.33
	FIXED RATE	2.3000%	1995	2025	921.00	8.60	1,338.70	12.50
	FIXED RATE	2.7000%	1995	2025	2,224.00	20.76	1,366.30	12.76
	FIXED RATE	2.7000%	1996	2026	22,837.00	213.21	12,325.11	115.07
	FIXED RATE	2.3000%	1996	2026	1,875.00	17.51	4,741.61	44.27
	FIXED RATE	2.7000%	1996	2026	10,184.00	95.08	10,240.00	95.60
	FIXED RATE	2.3000%	1996	2026	310.00	2.89	250.04	2.33
	FIXED RATE	2.5000%	1996	2026	5,000.00	46.68	4,900.47	45.75
	FIXED RATE	2.1000%	1996	2026	158.00	1.48	157.99	1.48
	FIXED RATE	2.3000%	1997	2027	8,760.00	81.78	502.89	4.69
	FIXED RATE	2.7000%	1997	2027	14,011.00	130.81	2,086.83	19.48
	FIXED RATE	2.3000%	1997	2027	449.00	4.19	97.17	0.91
	FIXED RATE	2.7000%	1997	2027	7,747.00	72.33	6,373.03	59.50
	FIXED RATE	2.3000%	1997	2027	339.00	3.16	284.70	2.66
	FIXED RATE	2.7000%	1997	2027	14,638.00	136.66	8,862.82	82.74
	FIXED RATE	2.3000%	1997	2027	334.00	3.12	292.69	2.73
	FIXED RATE	2.5000%	1997	2027	5,903.00	55.11	938.36	8.76
	FIXED RATE	2.1000%	1997	2027	1,325.00	12.37	914.62	8.54
	FIXED RATE	2.5000%	1997	2027	386.00	3.60	291.91	2.73
	FIXED RATE	2.1000%	1997	2027	648.00	6.05	505.95	4.72
	FIXED RATE	2.5000%	1997	2027	1,927.00	17.99	50.35	0.47
	FIXED RATE	2.1000%	1997	2027	819.00	7.65	148.83	1.39
	FIXED RATE	2.2000%	1998	2028	13,788.00	128.72	2,670.27	24.93
	FIXED RATE	0.7500%	1998	2038	767.00	7.16	362.85	3.39
	FIXED RATE	2.2000%	1998	2028	19,532.00	182.35	6,825.34	63.72
	FIXED RATE	0.7500%	1998	2038	458.00	4.28	370.57	3.46
	FIXED RATE	2.2000%	1998	2028	3,064.00	28.61	390.74	3.65
	FIXED RATE	1.7000%	1998	2028	2,193.00	20.47	970.75	9.06
	FIXED RATE	0.7500%	1998	2038	815.00	7.61	671.82	6.27
	FIXED RATE	2.2000%	1999	2028	3,064.00	28.61	15,422.28	143.98
	FIXED RATE	1.7000%	1999	2028	2,193.00	20.47	7,915.12	73.90
	FIXED RATE	2.2000%	1999	2040	16,450.00	153.58	641.84	5.99
	FIXED RATE	0.9500%	2001	2041	39,455.00	368.35	1,078.12	10.07
	FIXED RATE	0.7500%	2001	2041	2,476.00	23.12	0.00	0.00
	JAPAN LONG TERM PRIME LENDING RATE	1.2500%	1994	2019	26,840.00	250.58	14,775.13	137.94
	JAPAN LONG TERM PRIME LENDING RATE	1.2500%	1994	2008	31,500.00	294.08	20,649.67	192.79
	JAPAN LONG TERM PRIME LENDING RATE	1.2500%	1994	2005	2,163.65	20.20	305.88	2.86
	JAPAN LONG TERM PRIME LENDING RATE	0.0000%	1994	2014	12,400.00	115.77	4,320.55	40.34
	JAPAN LONG TERM PRIME LENDING RATE	1.2500%	1994	2005	297.84	2.78	29.78	0.28
	JAPAN LONG TERM PRIME LENDING RATE	0.0000%	1992	2014	6,100.00	56.95	4,007.61	37.42
	JAPAN LONG TERM PRIME LENDING RATE	0.0000%	1992	2015	18,600.00	173.65	12,116.47	113.12
	JAPAN LONG TERM PRIME LENDING RATE	0.0000%	1999	2019	60,000.00	560.16	47,142.85	440.13
	JAPAN LONG TERM PRIME LENDING RATE	0.0000%	2001	2011	12,500.00	116.70	22,500.00	210.06

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					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
	JAPAN LONG TERM PRIME							
	LENDING RATE	0.0000%	2000	2007	5,370.68	50.14	3,068.96	28.65
	JAPAN LONG TERM PRIME							
	LENDING RATE	-0.2000%	1999	2014	26,000.00	242.74	19,050.50	177.86
	JAPAN SWAP RATE	1.6000%	1999	2009	20,800.00	194.19	20,800.00	194.19
	LIBOR 6MOS DEPOSIT	1.6000%	1999	2009	27,200.00	253.94	27,200.00	253.94
	LIBOR 6MOS DEPOSIT	0.0000%	1999	2004	13,537.00	126.38	1,504.06	14.04
	ADB FLOATING RATE	0.0000%	1998	2013	3,057.00	28.54	671.86	6.27
	ADB FLOATING RATE	0.5000%	1996	2016	2,166.00	20.22	507.93	4.74
	ADB FLOATING RATE	0.5000%	2002	2021	3,676.05	34.32	104.21	0.97
	LIBOR 6MOS DEPOSIT	0.0000%	2000	2014	314.75	2.94	23.23	0.22
	CQB	0.1000%	2001	2011	3,717.00	34.70	92.86	0.87
	LIBOR BASE RATE	0.5000%	1996	2016	9,090.39	84.87	2,558.41	23.89
	US LIBOR	0.0000%	2001	2020	2,400.00	22.41	2,400.00	22.41
SPECIAL DRAWING RIGHTS					18.50	27.39	11.07	16.39
	INTEREST FREE	0.7500%	1992	2032	3.00	4.44	2.28	3.37
	INTEREST FREE	0.5000%	1998	2017	5.00	7.40	0.21	0.32
	LIBOR 6MOS. DEPOSIT	0.8000%	1995	2034	3.50	5.18	3.48	5.15
UNITED STATES DOLLARS	LIBOR 6MOS. DEPOSIT	0.8000%	1995	2014	7.00	10.36	5.10	7.55
					5,688.80	5,888.80	3,015.62	3,015.62
	ADB FLOATING RATE	0.0000%	1993	2018	43.20	43.20	18.20	18.20
	ADB FLOATING RATE	0.0000%	1989	2004	130.00	130.00	81.67	81.67
	ADB FLOATING RATE	0.0000%	1991	2009	25.00	25.00	9.40	9.40
	ADB FLOATING RATE	0.0000%	1992	2007	2.60	2.60	0.80	0.80
	ADB FLOATING RATE	0.0000%	1989	2012	26.40	26.40	17.99	17.99
	ADB FLOATING RATE	0.0000%	1988	2012	43.50	43.50	29.33	29.33
	ADB FLOATING RATE	0.0000%	1991	2006	100.00	100.00	11.38	11.38
	ADB FLOATING RATE	0.0000%	1986	2006	92.00	92.00	29.55	29.55
	ADB FLOATING RATE	0.0000%	1995	2020	92.00	92.00	81.35	81.35
	ADB FLOATING RATE	0.0000%	1993	2012	138.00	138.00	92.07	92.07
	ADB FLOATING RATE	0.0000%	1991	2015	200.00	200.00	158.06	158.06
	ADB FLOATING RATE	0.0000%	1988	2008	120.00	120.00	53.37	53.37
	ADB FLOATING RATE	0.0000%	1989	2009	160.00	160.00	89.57	89.57
	ADB FLOATING RATE	0.0000%	1995	2019	244.00	244.00	148.26	148.26
	ADB FLOATING RATE	0.0000%	1992	2012	75.00	75.00	57.03	57.03
	ADB FLOATING RATE	0.0000%	1992	2016	31.40	31.40	7.95	7.95
	ADB FLOATING RATE	0.0000%	1993	2013	164.00	164.00	91.50	91.50
	ADB FLOATING RATE	0.0000%	1998	2021	50.00	50.00	14.92	14.92
	ADB FLOATING RATE	0.0000%	1996	2011	5.35	5.35	3.82	3.82
	ADB FLOATING RATE	0.0000%	1998	2017	20.22	20.22	35.95	35.95
	FIXED RATE	1.5000%	1990	2010	0.17	0.17	0.12	0.12
	FIXED RATE	1.5000%	1990	2010	0.03	0.03	0.02	0.02
	FIXED RATE	10.5000%	1984	2007	39.30	39.30	9.85	9.85
	FIXED RATE	1.5000%	1990	2010	0.08	0.08	0.06	0.06
	FIXED RATE	1.5000%	1990	2010	0.05	0.05	0.03	0.03
	FIXED RATE	3.0000%	1995	2006	0.50	0.50	0.37	0.37
	FIXED RATE	8.1000%	1980	2005	42.80	42.80	3.93	3.93
	FIXED RATE	7.6000%	1979	2004	60.70	60.70	5.04	5.04
	FIXED RATE	1.5000%	1990	2010	0.41	0.41	0.29	0.29
	FIXED RATE	1.5000%	1990	2010	0.04	0.04	0.03	0.03
	FIXED RATE	1.5000%	1990	2010	15.67	15.67	10.97	10.97
	FIXED RATE	1.5000%	1990	2010	9.34	9.34	6.53	6.53
	FIXED RATE	1.5000%	1990	2010	11.56	11.56	8.09	8.09
	FIXED RATE	1.5000%	1990	2010	0.09	0.09	0.06	0.06
	FIXED RATE	2.0000%	1993	2013	19.30	19.30	17.46	17.46
	FIXED RATE	3.5750%	1995	2012	37.90	37.90	32.22	32.22
	FIXED RATE	1.5000%	1990	2010	0.03	0.03	0.02	0.02
	FIXED RATE	1.5000%	1990	2010	0.10	0.10	0.07	0.07
	FIXED RATE	1.5000%	1990	2010	0.20	0.20	0.14	0.14
	FIXED RATE	1.5000%	1990	2010	3.38	3.38	2.37	2.37
	FIXED RATE	1.5000%	1990	2010	0.17	0.17	0.12	0.12
	FIXED RATE	10.1000%	1981	2006	87.50	87.50	15.24	15.24
	FIXED RATE	1.5000%	1990	2010	11.21	11.21	7.85	7.85
	FIXED RATE	1.5000%	1990	2010	0.15	0.15	0.11	0.11
	FIXED RATE	10.2500%	1984	2004	33.00	33.00	2.84	2.84
	FIXED RATE	1.5000%	1990	2010	0.04	0.04	0.03	0.03
	FIXED RATE	3.0000%	1995	2006	9.50	9.50	2.08	2.08
	FIXED RATE	1.5000%	1990	2010	0.18	0.18	0.13	0.13
	FIXED RATE	1.5000%	1990	2010	0.91	0.91	0.64	0.64
	FIXED RATE	1.5000%	1990	2010	0.12	0.12	0.09	0.09
	FIXED RATE	1.5000%	1990	2010	0.63	0.63	0.44	0.44
	FIXED RATE	1.2500%	1993	2025	24.50	24.50	23.90	23.90
	FIXED RATE	1.5000%	1990	2010	0.51	0.51	0.36	0.36
	FIXED RATE	1.5000%	1990	2010	0.99	0.99	0.69	0.69
	FIXED RATE	1.5000%	1990	2010	0.38	0.38	0.26	0.26
	FIXED RATE	1.5000%	1990	2010	4.99	4.99	3.49	3.49
	FIXED RATE	1.5000%	1990	2010	0.23	0.23	0.16	0.16
	FIXED RATE	1.5000%	1990	2010	1.35	1.35	0.78	0.78

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					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
	FIXED RATE	1.5000%	1990	2010	11.70	11.70	8.19	8.19
	FIXED RATE	6.6000%	1995	2008	25.00	25.00	0.50	0.50
	FIXED RATE	7.6500%	1996	2009	25.00	25.00	1.63	1.63
	FIXED RATE	3.0000%	1994	2007	5.00	5.00	0.39	0.39
	FIXED RATE	4.0000%	1995	2018	15.00	15.00	12.50	12.50
	FIXED RATE	6.5000%	1997	2010	11.10	11.10	5.41	5.41
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1989	2009	65.50	65.50	31.78	31.78
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1994	2014	113.00	113.00	79.42	79.42
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1993	2012	134.00	134.00	26.89	26.89
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1994	2014	114.00	114.00	43.95	43.95
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1993	2013	110.00	110.00	39.31	39.31
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1989	2009	65.00	65.00	34.99	34.99
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1994	2014	127.35	127.35	101.87	101.87
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1994	2014	19.65	19.65	10.02	10.02
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1995	2015	50.00	50.00	43.70	43.70
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1994	2013	64.00	64.00	41.29	41.29
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1991	2011	175.00	175.00	111.71	111.71
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1994	2014	40.00	40.00	31.24	31.24
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1995	2011	50.00	50.00	34.68	34.68
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1992	2012	91.30	91.30	36.67	36.67
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1988	2008	41.00	41.00	19.04	19.04
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1988	2008	59.00	59.00	24.01	24.01
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1991	2011	150.00	150.00	100.43	100.43
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1990	2010	150.00	150.00	79.72	79.72
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1990	2010	200.00	200.00	114.61	114.61
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1985	2005	100.00	100.00	13.29	13.29
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1991	2011	15.00	15.00	0.96	0.96
	IBRD COST OF QUALIFIED BORROWINGS	0.5000%	1989	2009	40.00	40.00	20.15	20.15
	INTEREST FREE	0.0000%	2000	2013	7.50	7.50	7.50	7.50
	LIBOR 6MOS. DEPOSIT	0.0000%	1992	2004	25.50	25.50	2.55	2.55
	LIBOR 6MOS. DEPOSIT	0.0000%	1992	2004	17.44	17.44	0.82	0.82
	LIBOR 6MOS. DEPOSIT	0.0000%	1992	2004	18.77	18.77	0.83	0.83
	LIBOR 6MOS. DEPOSIT	0.0000%	1998	2004	160.00	160.00	65.06	65.06
	LIBOR 6MOS. DEPOSIT	0.0000%	1997	2008	25.00	25.00	0.00	0.00
	LIBOR 6MOS. DEPOSIT	0.0000%	1998	2014	160.00	160.00	0.00	0.00
	LIBOR 6MOS. DEPOSIT	0.0000%	1998	2008	25.00	25.00	16.25	16.25
	LIBOR-6MOS. DEPOSIT	0.0000%	2003	2010	7.50	7.50	1.42	1.42
	LIBOR BASE RATE	0.5000%	1996	2016	100.00	100.00	30.37	30.37
	LIBOR BASE RATE	0.5000%	1996	2016	57.00	57.00	11.81	11.81
	LIBOR BASE RATE	0.5000%	1996	2016	150.00	150.00	98.43	98.43
	LIBOR BASE RATE	0.5000%	1995	2015	50.00	50.00	40.01	40.01
	LIBOR BASE RATE	0.5000%	1996	2017	60.00	60.00	23.18	23.18
	LIBOR BASE RATE	0.5000%	1997	2017	54.50	54.50	11.54	11.54
	LIBOR BASE RATE	0.5000%	1998	2018	150.00	150.00	88.72	88.72
	LIBOR BASE RATE	0.5000%	1998	2019	150.00	150.00	0.00	0.00
	LIBOR BASE RATE	0.5000%	1998	2019	23.30	23.30	4.75	4.75
	US FLOATING RATE	0.9000%	1999	2014	200.00	200.00	180.00	180.00
	US FLOATING RATE	0.3000%	2000	2004	200.00	200.00	175.00	175.00
						4,978.17		4,978.17
B. BONDS								
UNITED STATES DOLLARS					3,460.00	3,460.00	3,460.00	3,460.00
	FIXED RATE	9.7500%	1994	2009	100.00	100.00	100.00	100.00
	FIXED RATE	7.8750%	1996	2006	200.00	200.00	200.00	200.00
	FIXED RATE	8.4000%	1996	2016	160.00	160.00	160.00	160.00
	FIXED RATE	9.6250%	1998	2028	300.00	300.00	300.00	300.00
	FIXED RATE	9.8750%	2000	2010	500.00	500.00	500.00	500.00
	FIXED RATE	9.5750%	2000	2012	250.00	250.00	250.00	250.00

GUARANTEED EXTERNAL DEBTS OF THE REPUBLIC OF THE PHILIPPINES⁽¹⁾ — (Continued)
AS OF DECEMBER 31, 2003
IN MILLIONS

CURRENCY	INTEREST RATE BASIS	INTEREST RATE/ SPREAD/ SERVICE CHARGE (Per Annum)	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003	
					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
JAPANESE YEN	FIXED RATE	8.4750%	2000	2009	500.00	500.00	500.00	500.00
	FIXED RATE	0.0000%	2002	2010	300.00	300.00	300.00	300.00
	FIXED RATE	0.0000%	2002	2010	400.00	400.00	400.00	400.00
	FIXED RATE	8.5000%	2003	2014	450.00	450.00	450.00	450.00
	FIXED RATE	8.5000%	2003	2014	300.00	300.00	300.00	300.00
					95,750.00	893.92	95,750.00	893.92
	FIXED RATE	4.6500%	1995	2015	12,000.00	112.03	12,000.00	112.03
	FIXED RATE	2.3500%	2000	2010	22,000.00	205.39	22,000.00	205.39
	FIXED RATE	3.2000%	2000	2020	24,750.00	231.07	24,750.00	231.07
	FIXED RATE	3.5000%	2000	2022	37,000.00	345.43	37,000.00	345.43
EURO				500.00	624.25	500.00	624.25	
	FIXED RATE	9.5750%	2001	2006	500.00	624.25	500.00	624.25
II. GFI GUARANTEE ASSUMED BY NATIONAL GOVERNMENT						458.48		272.30
BELGIAN FRANCS					1,005.34	31.11	502.67	15.56
	BIBOR 6 MOS.	0.6000%	1992	2007	158.97	4.92	79.48	2.46
	BIBOR 6 MOS.	0.6000%	1992	2007	722.14	22.35	361.07	11.18
	BIBOR 6 MOS.	0.6000%	1992	2007	124.23	3.84	62.11	1.92
CANADIAN DOLLARS					0.27	0.20	0.27	0.20
	INTEREST FREE	0.0000%	1986	Upon Demand	0.27	0.20	0.27	0.20
DEUTSCHE MARKS					2.84	1.81	1.42	0.91
	FIXED RATE	8.6000%	1992	2007	2.84	1.81	1.42	0.91
SPANISH PESETAS					6,989.98	52.45	3,494.99	26.23
	FIXED RATE	11.0000%	1991	2007	6,989.98	52.45	3,494.99	26.23
FRENCH FRANCS					21.86	4.16	12.49	2.38
	INTEREST FREE	0.0000%	1986	Upon Demand	3.13	0.60	3.13	0.60
	TAUX DU MARCHE OBLIGATAIRE	0.4000%	1991	2007	4.36	0.83	2.18	0.42
	TAUX DU MARCHE OBLIGATAIRE	0.4000%	1991	2007	0.11	0.02	0.05	0.01
	TAUX DU MARCHE OBLIGATAIRE	0.4000%	1989	2007	13.01	2.48	6.50	1.24
	TAUX DU MARCHE OBLIGATAIRE	0.4000%	1989	2007	1.24	0.24	0.62	0.12
POUNDS STERLING					1.03	1.83	0.52	0.91
		0.0000%	1986	Upon Demand	0.00	0.00	0.00	0.00
	GBP LIBOR	0.5000%	1991	2007	1.03	1.83	0.52	0.91
JAPANESE YEN					26,248.48	245.06	13,125.61	122.54
	LONG TERM PRIME RATE	0.1000%	1992	2007	4,968.73	46.39	2,484.36	23.19
	LONG TERM PRIME RATE	0.1000%	1992	2007	16,886.81	157.66	8,443.41	78.83
	LONG TERM PRIME RATE	0.1000%	1992	2007	216.83	2.02	108.41	1.01
	INTEREST FREE	0.0000%	1986	Upon Demand	2.74	0.03	2.74	0.03
	LONG TERM PRIME RATE	0.1000%	1992	2007	412.07	3.85	206.03	1.92
	LONG TERM PRIME RATE	0.1000%	1992	2007	701.63	6.55	350.81	3.28
	LONG TERM PRIME RATE	0.1000%	1992	2007	1,194.42	11.15	597.21	5.58
	LONG TERM PRIME RATE	0.1000%	1992	2007	158.65	1.48	79.32	0.74
	LONG TERM PRIME RATE	0.1000%	1992	2007	747.41	6.98	373.70	3.49
	LONG TERM PRIME RATE	0.1000%	1992	2007	801.78	7.49	400.89	3.74
	LONG TERM PRIME RATE	0.1000%	1992	2007	157.43	1.47	78.71	0.73
SAUDI RIAL					27.34	7.29	27.34	7.29
	INTEREST FREE	0.0000%	1986	Upon Demand	5.92	1.58	5.92	1.58
	INTEREST FREE	0.0000%	1986	Upon Demand	18.46	4.92	18.46	4.92
	INTEREST FREE	0.0000%	1986	Upon Demand	2.96	0.79	2.96	0.79
UNITED STATES DOLLARS					114.56	114.56	96.28	96.28
	INTEREST FREE	0.0000%	1986	Upon Demand	0.97	0.97	0.97	0.97
	INTEREST FREE	0.0000%	1986	Upon Demand	8.33	8.33	8.33	8.33
	INTEREST FREE	0.0000%	1986	Upon Demand	33.09	33.09	33.09	33.09
	INTEREST FREE	0.0000%	1986	Upon Demand	18.60	18.60	18.60	18.60
	INTEREST FREE	0.0000%	1986	Upon Demand	0.72	0.72	0.72	0.72
	INTEREST FREE	0.0000%	1986	Upon Demand	0.51	0.51	0.51	0.51
	INTEREST FREE	0.0000%	1986	Upon Demand	2.18	2.18	2.18	2.18
	INTEREST FREE	0.0000%	1986	Upon Demand	5.22	5.22	5.22	5.22

GUARANTEED EXTERNAL DEBTS OF THE REPUBLIC OF THE PHILIPPINES⁽¹⁾ — (Continued)
AS OF DECEMBER 31, 2003
IN MILLIONS

CURRENCY	INTEREST RATE BASIS	INTEREST RATE/ SPREAD/ SERVICE CHARGE (Per Annum)	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003	
					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
	INTEREST FREE	0.0000%	1986	Upon Demand	0.51	0.51	0.51	0.51
	INTEREST FREE	0.0000%	1986	Upon Demand	4.40	4.40	4.40	4.40
	INTEREST FREE	0.0000%	1988	Upon Demand	11.55	11.55	7.51	7.51
	FIXED RATE	3.4750%	1992	2007	11.25	11.25	5.62	5.62
	FIXED RATE	3.4750%	1992	2007	5.28	5.28	2.64	2.64
	FIXED RATE	3.4750%	1992	2007	0.80	0.80	0.40	0.40
	LIBOR 6 MOS	0.8125%	1991	2007	0.32	0.32	0.16	0.16
	LIBOR 6 MOS	0.8125%	1992	2007	0.11	0.11	0.05	0.05
	LIBOR 6 MOS	0.8125%	1991	2007	1.22	1.22	0.61	0.61
	LIBOR 6 MOS	0.8125%	1991	2007	0.19	0.19	0.09	0.09
	NEW SHORT TERM EXIMBANK BORROWING	0.5000%	1992	2007	5.61	5.61	2.80	2.80
	NEW SHORT TERM EXIMBANK BORROWING	0.5000%	1992	2007	0.10	0.10	0.05	0.05
	NEW SHORT TERM EXIMBANK BORROWING	0.5000%	1991	2007	3.63	3.63	1.81	1.81

(1) Includes government guarantee on GOCC (loans and bonds) GFI guarantee assumed by the government per Proc. 50

(2) Amount in original currencies were converted to US Dollars using Bangko Sentral reference rate on December 31, 2003.

EXTERNAL DEBT OF THE REPUBLIC OF THE PHILIPPINES⁽¹⁾
AS OF DECEMBER 31, 2003
IN MILLIONS OF CURRENCY INDICATED

CURRENCY	INTEREST RATE BASIS	INTEREST RATE/ SPREAD/ SERVICE CHARGE (Per Annum)	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003	
					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
GRAND TOTAL						45,510.39		29,626.84
I. DIRECT DEBT OF THE REPUBLIC						27,559.46		14,588.42
A. AVAILED OF BY GOVERNMENT AGENCIES						23,801.68		12,546.63
AUSTRIAN SCHILLINGS					102.27	9.28	1,240.35	112.54
	FIXED RATE	4.0000%	03/31/1997	06/30/2014	14.53	1.32	166.55	15.11
	FIXED RATE	4.5000%	03/02/2002	12/30/2019	15.06	1.37	207.26	18.81
	FIXED RATE	4.5000%	07/23/1999	12/31/2022	72.67	6.59	866.53	78.62
BELGIAN FRANCS					150.00	4.64	15.00	0.46
	INTEREST FREE	0.0000%	04/06/1977	12/31/2006	50.00	1.55	7.50	0.23
	INTEREST FREE	0.0000%	06/11/1976	12/31/2005	50.00	1.55	5.00	0.15
	FIXED RATE	2.0000%	12/15/1975	12/31/2004	50.00	1.55	2.50	0.08
CANADIAN DOLLARS					3.89	2.97	2.04	1.56
	INTEREST FREE	0.0000%	11/12/1974	09/03/2024	3.89	2.97	2.04	1.56
SWISS FRANCS					103.98	83.20	71.53	57.23
	FIXED RATE	0.0125%	01/01/1998	04/30/2005	6.64	5.31	1.99	1.59
	FIXED RATE	0.0125%	05/01/1990	06/30/2006	1.71	1.37	0.07	0.06
	FIXED RATE	4.6300%	01/01/1998	04/30/2014	37.60	30.09	17.58	14.06
	CHF LIBOR	0.0125%	09/14/1998	11/15/2005	1.62	1.29	0.69	0.55
	CHF LIBOR	0.0000%	09/25/2001	09/20/2014	22.77	18.22	41.72	33.38
	CHF LIBOR	0.0000%	09/25/2001	09/20/2008	22.77	18.22	9.48	7.59
	LIBOR 6 MONTHS DEPOSIT	0.0138%	03/10/1989	12/31/2008	10.87	8.70	0.00	0.00
DEUTSCHE MARKS					67.33	42.98	27.67	17.66
	FIXED RATE	2.0000%	08/03/1984	12/31/2014	13.50	8.62	7.25	4.63
	FIXED RATE	2.0000%	08/03/1984	12/31/2014	16.50	10.53	8.86	5.66
	FIXED RATE	2.0000%	10/12/1990	12/31/2020	6.60	4.21	5.61	3.58
	FIXED RATE	2.0000%	05/12/1982	12/31/2012	2.73	1.74	1.21	0.77
	FIXED RATE	2.0000%	04/10/1981	06/30/2011	3.00	1.92	1.13	0.72
	FIXED RATE	2.0000%	06/20/1974	06/30/2004	10.00	6.38	0.24	0.16
	FIXED RATE	2.0000%	06/23/1978	06/30/2008	15.00	9.58	3.38	2.15
DANISH KRONER					80.00	13.42	14.24	2.39
	INTEREST FREE	0.0000%	06/26/1981	04/01/2006	65.00	10.90	9.20	1.54
	INTEREST FREE	0.0000%	02/20/1985	10/01/2009	15.00	2.52	5.04	0.85
EURO					154.37	192.73	102.56	128.05
	INTEREST FREE	0.0000%	03/29/2000	03/21/2016	8.48	10.59	7.85	9.80
	INTEREST FREE	0.0000%	09/22/2000	10/15/2017	1.84	2.30	1.84	2.30
	FIXED RATE	0.4700%	01/22/1998	09/30/2030	0.74	0.93	0.74	0.93
	FIXED RATE	0.4700%	01/22/1998	09/30/2030	3.20	4.00	3.24	4.05
	FIXED RATE	0.7500%	02/14/2002	06/30/2042	7.39	9.22	0.31	0.39
	FIXED RATE	0.7500%	02/14/2002	06/30/2042	10.69	13.34	0.23	0.29
	FIXED RATE	1.5000%	02/17/1995	11/29/2014	8.12	10.13	8.08	10.09
	FIXED RATE	3.4500%	02/28/2002	03/31/2012	18.17	22.68	5.09	6.35
	FIXED RATE	3.6500%	02/28/2002	03/31/2025	36.34	45.37	23.43	29.25
	FIXED RATE	4.0000%	11/16/2000	06/30/2023	31.25	39.01	29.66	37.03
	FIXED RATE	4.4000%	12/11/2001	12/31/2024	23.99	29.95	18.83	23.51
	FIXED RATE	4.9400%	08/17/1999	04/30/2010	3.40	4.24	2.72	3.40
	FIXED RATE	4.9400%	08/17/1999	04/30/2010	0.77	0.97	0.54	0.67
FRENCH FRANCS					1,127.93	214.68	772.63	147.06
	FIXED RATE	1.4000%	12/31/1994	12/31/2016	102.36	19.48	95.58	18.19
	FIXED RATE	1.4000%	12/31/1994	12/31/2016	17.65	3.36	17.52	3.33
	FIXED RATE	1.5000%	12/18/1995	12/31/2018	24.00	4.57	6.96	1.32
	FIXED RATE	1.5000%	12/18/1995	12/31/2023	12.60	2.40	12.52	2.38
	FIXED RATE	1.5000%	12/18/1995	12/31/2022	3.20	0.61	1.63	0.31
	FIXED RATE	1.5000%	12/18/1995	12/31/2022	4.80	0.91	4.88	0.93
	FIXED RATE	1.5000%	01/15/1997	09/30/2023	36.06	6.86	36.06	6.86
	FIXED RATE	1.5000%	01/15/1997	09/30/2023	98.98	18.84	47.07	8.96
	FIXED RATE	2.0000%	05/20/1992	12/31/2024	4.86	0.93	4.68	0.89
	FIXED RATE	2.0000%	05/20/1992	12/31/2023	18.90	3.60	18.47	3.52
	FIXED RATE	2.0000%	01/17/1992	12/31/2024	69.00	13.13	66.76	12.71
	FIXED RATE	2.0000%	12/07/1990	12/31/2023	14.22	2.71	14.04	2.67
	FIXED RATE	2.0000%	05/20/1992	12/31/2022	4.98	0.95	4.73	0.90
	FIXED RATE	2.5000%	02/09/1990	12/31/2022	27.25	5.19	25.67	4.88
	FIXED RATE	2.5000%	02/09/1990	12/31/2022	29.07	5.53	27.06	5.15

EXTERNAL DEBT OF THE REPUBLIC OF THE PHILIPPINES⁽¹⁾ — (Continued)
AS OF DECEMBER 31, 2003
IN MILLIONS OF CURRENCY INDICATED

CURRENCY	INTEREST RATE BASIS	INTEREST RATE/ SPREAD/ SERVICE CHARGE (Per Annum)	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003	
					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
	FIXED RATE	2.5000%	02/09/1990	12/31/2022	17.40	3.31	16.31	3.10
	FIXED RATE	2.5000%	01/22/1992	12/31/2023	6.67	1.27	6.50	1.24
	FIXED RATE	3.0000%	10/10/1989	12/31/2023	28.50	5.42	24.25	4.61
	FIXED RATE	3.0000%	07/31/1989	03/21/2020	9.50	1.81	7.93	1.51
	FIXED RATE	3.1000%	12/08/1993	12/31/2014	80.00	15.23	68.15	12.97
	FIXED RATE	3.1000%	12/08/1993	12/31/2014	42.40	8.07	35.44	6.75
	FIXED RATE	3.1000%	12/08/1993	12/31/2014	8.00	1.52	7.09	1.35
	FIXED RATE	3.3000%	11/05/1993	06/30/2013	10.40	1.98	8.08	1.54
	FIXED RATE	3.3000%	11/05/1993	06/30/2013	18.40	3.50	14.45	2.75
	FIXED RATE	3.3000%	08/04/1993	12/31/2013	73.42	13.97	58.86	11.20
	FIXED RATE	3.5000%	12/21/1995	09/30/2015	15.00	2.85	10.97	2.09
	FIXED RATE	3.5000%	12/21/1995	12/31/2017	5.00	0.95	3.84	0.73
	FIXED RATE	3.5000%	12/21/1996	09/30/2018	49.70	9.46	5.89	1.12
	FIXED RATE	3.5000%	12/21/1997	12/30/2019	24.00	4.57	23.98	4.56
	FIXED RATE	5.6800%	01/15/1997	02/08/2010	39.99	7.61	18.54	3.53
	FIXED RATE	5.8200%	05/08/1997	12/30/2010	24.04	4.58	13.85	2.64
	FIXED RATE	6.9100%	12/31/1995	12/30/2008	8.40	1.60	3.36	0.64
	FIXED RATE	7.3500%	12/31/1994	12/31/2016	7.35	1.40	3.68	0.70
	FIXED RATE	7.3500%	12/31/1994	12/31/2016	42.64	8.12	23.38	4.45
	FIXED RATE	7.5000%	12/31/1995	12/31/2017	34.45	6.56	21.17	4.03
	FIXED RATE	7.5500%	12/08/1993	12/31/2004	20.00	3.81	4.99	0.95
	FIXED RATE	7.5500%	12/08/1993	12/31/2004	2.00	0.38	0.60	0.11
	FIXED RATE	7.5500%	06/23/1992	07/05/2004	4.60	0.88	0.69	0.13
	FIXED RATE	7.5500%	06/23/1992	05/05/2004	2.60	0.49	0.39	0.07
	FIXED RATE	7.5500%	12/08/1993	12/31/2004	10.60	2.02	2.65	0.50
	FIXED RATE	9.2000%	06/23/1992	06/30/2005	18.35	3.49	3.68	0.70
	FIXED RATE	9.2000%	01/22/1992	06/30/2005	4.83	0.92	0.24	0.05
	FIXED RATE	9.2000%	01/17/1992	07/19/2004	51.77	9.85	0.06	0.01
POUNDS STERLING					186.32	330.32	12.49	22.15
	FIXED RATE	5.9500%	07/14/1995	06/01/2008	69.23	122.74	0.00	0.00
	FIXED RATE	6.6000%	07/05/1996	08/01/2007	13.34	23.65	6.60	11.70
	FIXED RATE	6.7400%	03/31/2001	02/28/2013	16.25	28.81	4.10	7.26
	FIXED RATE	8.1000%	07/30/1992	01/31/2005	11.95	21.19	1.79	3.18
	LIBOR 6 MONTHS DEPOSIT	0.0000%	12/31/1997	07/31/2012	75.54	133.93	0.00	0.00
ITALIAN LIRA					10,185.74	6.57	7,748.99	5.00
	LIBOR 6 MONTHS DEPOSIT	1.5000%	06/30/1990	05/25/2011	10,185.74	6.57	7,748.99	5.00
JAPANESE YEN					1,345,877.18	12,565.11	690,754.68	6,448.89
	FIXED RATE	0.7500%	03/10/1999	03/20/2039	36,300.00	338.90	36,300.00	338.90
	FIXED RATE	0.7500%	12/28/1999	12/20/2039	813.00	7.59	266.32	2.49
	FIXED RATE	0.7500%	12/28/1999	12/20/2039	432.00	4.03	243.34	2.27
	FIXED RATE	0.7500%	12/28/1999	12/20/2039	722.00	6.74	214.19	2.00
	FIXED RATE	0.7500%	12/28/1999	12/20/2039	2,828.00	26.40	1,009.11	9.42
	FIXED RATE	0.7500%	12/28/1999	12/20/2039	967.00	9.03	328.03	3.06
	FIXED RATE	0.7500%	12/28/1999	12/20/2039	844.00	7.88	237.83	2.22
	FIXED RATE	0.7500%	12/28/1999	12/20/2039	747.00	6.97	313.82	2.93
	FIXED RATE	0.7500%	12/28/1999	12/20/2039	444.00	4.15	213.08	1.99
	FIXED RATE	0.7500%	12/28/1999	12/20/2039	1,221.00	11.40	700.25	6.54
	FIXED RATE	0.7500%	12/28/1999	12/20/2039	1,022.00	9.54	873.93	8.16
	FIXED RATE	0.7500%	04/07/2000	04/20/2040	1,071.00	10.10	523.75	4.89
	FIXED RATE	0.7500%	08/31/2000	08/20/2040	14,724.00	137.46	489.49	4.57
	FIXED RATE	0.7500%	08/31/2000	08/20/2040	3,549.00	33.13	289.85	2.71
	FIXED RATE	0.7500%	09/10/1998	09/20/2038	894.00	8.35	690.13	6.44
	FIXED RATE	0.7500%	09/10/1998	09/20/2038	3,077.00	28.73	1,388.85	12.97
	FIXED RATE	0.7500%	09/10/1998	09/20/2038	580.00	5.41	304.24	2.84
	FIXED RATE	0.7500%	09/10/1998	09/20/2038	1,041.00	9.72	328.57	3.07
	FIXED RATE	0.7500%	09/10/1998	09/20/2038	54.00	0.50	26.23	0.24
	FIXED RATE	0.7500%	09/10/1998	09/20/2038	404.00	3.77	312.52	2.92
	FIXED RATE	0.7500%	09/10/1998	09/20/2038	5,349.00	49.94	872.24	8.14
	FIXED RATE	0.7500%	09/10/1998	09/20/2038	2,910.00	27.17	567.92	5.30
	FIXED RATE	0.7500%	09/10/1998	09/20/2038	2,252.00	21.02	984.44	9.19
	FIXED RATE	0.7500%	09/10/1998	09/20/2038	393.00	3.67	260.72	2.43
	FIXED RATE	0.7500%	05/20/2001	05/20/2041	1,346.00	12.57	527.60	4.93
	FIXED RATE	0.7500%	05/20/2001	05/20/2041	856.00	7.99	32.67	0.31
	FIXED RATE	0.7500%	05/20/2001	05/20/2041	1,098.00	10.25	159.09	1.49
	FIXED RATE	0.7500%	05/20/2001	05/20/2041	1,070.00	9.99	178.79	1.67
	FIXED RATE	0.7500%	05/20/2001	05/20/2041	1,080.00	10.08	282.17	2.63
	FIXED RATE	0.7500%	05/20/2001	05/20/2041	992.00	9.26	240.86	2.25

EXTERNAL DEBT OF THE REPUBLIC OF THE PHILIPPINES⁽¹⁾ — (Continued)
AS OF DECEMBER 31, 2003
IN MILLIONS OF CURRENCY INDICATED

CURRENCY	INTEREST RATE BASIS	INTEREST RATE/ SPREAD/ SERVICE CHARGE (Per Annum)	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003	
					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
	FIXED RATE	0.7500%	05/20/2001	05/20/2041	233.00	2.18	0.00	0.00
	FIXED RATE	0.7500%	05/20/2001	05/20/2041	1,134.00	10.59	516.50	4.82
	FIXED RATE	0.7500%	05/20/2001	05/20/2041	2,034.00	18.99	322.70	3.01
	FIXED RATE	0.9500%	08/31/2000	08/20/2040	14,724.00	137.46	0.00	0.00
	FIXED RATE	0.9500%	08/31/2000	08/20/2040	3,549.00	33.13	0.00	0.00
	FIXED RATE	1.0000%	04/07/2000	04/20/2040	7,858.00	73.36	1,118.88	10.45
	FIXED RATE	1.3000%	12/28/1999	12/20/2029	519.00	4.85	46.48	0.43
	FIXED RATE	1.3000%	12/28/1999	12/20/2029	255.00	2.38	53.15	0.50
	FIXED RATE	1.3000%	12/28/1999	12/20/2029	1,436.00	13.41	767.81	7.17
	FIXED RATE	1.3000%	12/28/1999	12/20/2029	7,792.00	72.75	4,095.60	38.24
	FIXED RATE	1.3000%	12/28/1999	12/20/2029	145.00	1.35	0.00	0.00
	FIXED RATE	1.7000%	09/10/1998	09/20/2028	6,734.00	62.87	659.48	6.16
	FIXED RATE	1.7000%	09/10/1998	09/20/2028	291.00	2.72	7.43	0.07
	FIXED RATE	1.7000%	09/10/1998	09/20/2028	2,428.00	22.67	746.05	6.97
	FIXED RATE	1.7000%	05/20/2001	05/20/2041	2,556.00	23.86	1,511.76	14.11
	FIXED RATE	1.7000%	05/20/2001	05/20/2041	5,175.00	48.31	0.00	0.00
	FIXED RATE	1.8000%	12/28/1999	12/20/2029	6,397.00	59.72	345.84	3.23
	FIXED RATE	1.8000%	12/28/1999	12/20/2029	5,356.00	50.00	455.41	4.25
	FIXED RATE	1.8000%	12/28/1999	12/20/2029	15,299.00	142.83	6,449.10	60.21
	FIXED RATE	1.8000%	12/28/1999	12/20/2029	12,556.00	117.22	893.52	8.34
	FIXED RATE	1.8000%	12/28/1999	12/20/2029	4,885.00	45.61	0.00	0.00
	FIXED RATE	1.8000%	12/28/1999	12/20/2029	6.59	0.06	248.16	2.32
	FIXED RATE	1.8000%	12/28/1999	12/20/2029	4,321.00	40.34	249.20	2.33
	FIXED RATE	1.8000%	12/28/1999	12/20/2029	4,270.00	39.86	0.00	0.00
	FIXED RATE	2.1000%	08/30/1995	08/20/2025	789.00	7.37	745.91	6.96
	FIXED RATE	2.1000%	03/29/1996	03/20/2026	1,048.00	9.78	954.78	8.91
	FIXED RATE	2.1000%	03/18/1997	03/20/2027	1,192.00	11.13	589.83	5.51
	FIXED RATE	2.1000%	03/18/1997	03/20/2027	1,226.00	11.45	783.10	7.31
	FIXED RATE	2.2000%	09/10/1998	09/20/2028	4,955.00	46.26	3,626.72	33.86
	FIXED RATE	2.2000%	09/10/1998	09/20/2028	10,487.00	97.91	4,562.98	42.60
	FIXED RATE	2.2000%	09/10/1998	09/20/2028	5,148.00	48.06	293.42	2.74
	FIXED RATE	2.2000%	09/10/1999	09/20/2028	2,387.00	22.29	0.00	0.00
	FIXED RATE	2.2000%	09/10/1998	09/20/2028	11,884.00	110.95	2,450.26	22.88
	FIXED RATE	2.2000%	05/20/2001	05/20/2041	6,948.00	64.87	0.00	0.00
	FIXED RATE	2.2000%	05/20/2001	05/20/2041	4,687.00	43.76	0.00	0.00
	FIXED RATE	2.2000%	05/20/2001	05/20/2041	10,645.00	99.38	0.00	0.00
	FIXED RATE	2.2000%	05/20/2001	05/20/2041	5,135.00	47.94	0.00	0.00
	FIXED RATE	2.2000%	05/20/2001	05/20/2041	4,130.00	38.56	0.00	0.00
	FIXED RATE	2.2000%	05/20/2001	05/20/2041	5,523.00	51.56	1,029.97	9.62
	FIXED RATE	2.3000%	08/30/1995	08/20/2025	795.00	7.42	785.96	7.34
	FIXED RATE	2.3000%	08/30/1995	08/20/2025	586.00	5.47	523.97	4.89
	FIXED RATE	2.3000%	08/30/1995	08/20/2025	1,327.00	12.39	1,643.92	15.35
	FIXED RATE	2.3000%	08/30/1995	08/20/2025	597.00	5.57	568.85	5.31
	FIXED RATE	2.3000%	08/30/1995	08/20/2025	640.00	5.98	856.18	7.99
	FIXED RATE	2.3000%	08/30/1995	08/20/2025	1,792.00	16.73	1,524.22	14.23
	FIXED RATE	2.3000%	08/30/1995	08/20/2025	490.00	4.57	455.48	4.25
	FIXED RATE	2.3000%	08/30/1995	08/20/2025	1,658.00	15.48	2,431.15	22.70
	FIXED RATE	2.3000%	08/30/1995	08/20/2025	569.00	5.31	559.10	5.22
	FIXED RATE	2.3000%	03/29/1996	03/20/2026	305.00	2.85	227.20	2.12
	FIXED RATE	2.3000%	03/18/1997	03/20/2027	902.00	8.42	622.34	5.81
	FIXED RATE	2.3000%	03/18/1997	03/20/2027	985.00	9.20	1,030.27	9.62
	FIXED RATE	2.3000%	03/18/1997	03/20/2027	821.00	7.66	535.88	5.00
	FIXED RATE	2.3000%	03/18/1997	03/20/2027	4,019.00	37.52	1,946.65	18.17
	FIXED RATE	2.5000%	08/30/1995	08/20/2025	7,523.00	70.23	6,037.36	56.36
	FIXED RATE	2.5000%	03/29/1996	03/20/2026	5,863.00	54.74	5,956.00	55.61
	FIXED RATE	2.5000%	03/18/1997	03/20/2027	8,219.00	76.73	2,719.44	25.39
	FIXED RATE	2.5000%	03/18/1997	03/20/2027	6,753.00	63.05	2,632.92	24.58
	FIXED RATE	2.7000%	03/28/1991	03/20/2016	10,575.00	98.73	7,145.25	66.71
	FIXED RATE	2.7000%	07/16/1991	06/20/2021	20,020.00	186.91	17,090.19	159.55
	FIXED RATE	2.7000%	12/26/1988	12/20/2013	15,000.00	140.04	8,108.10	75.70
	FIXED RATE	2.7000%	12/26/1988	12/20/2013	25,000.00	233.40	13,513.50	126.16
	FIXED RATE	2.7000%	12/26/1988	12/20/2013	12,500.00	116.70	6,756.74	63.08
	FIXED RATE	2.7000%	11/23/1989	11/20/2014	40,000.00	373.44	23,783.78	222.05
	FIXED RATE	2.7000%	12/21/1990	12/20/2020	28,200.00	263.28	23,385.34	218.33
	FIXED RATE	2.7000%	03/28/1991	03/20/2016	13,219.00	123.41	8,931.75	83.39
	FIXED RATE	2.7000%	07/16/1991	06/20/2016	13,219.00	123.41	8,931.75	83.39
	FIXED RATE	2.7000%	05/26/1989	05/20/2019	2,130.40	19.89	1,610.76	15.04
	FIXED RATE	2.7000%	02/09/1990	02/20/2020	2,304.00	21.51	1,831.70	17.10
	FIXED RATE	2.7000%	02/09/1990	02/20/2020	4,238.00	39.57	2,941.46	27.46
	FIXED RATE	2.7000%	02/09/1990	02/20/2020	2,079.00	19.41	1,625.98	15.18

EXTERNAL DEBT OF THE REPUBLIC OF THE PHILIPPINES⁽¹⁾ — (Continued)
AS OF DECEMBER 31, 2003
IN MILLIONS OF CURRENCY INDICATED

CURRENCY	INTEREST RATE BASIS	INTEREST RATE/ SPREAD/ SERVICE CHARGE (Per Annum)	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003	
					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
	FIXED RATE	2.7000%	02/09/1990	02/20/2020	5,708.00	53.29	4,328.81	40.41
	FIXED RATE	2.7000%	02/09/1990	02/20/2020	8,634.00	80.61	5,971.02	55.75
	FIXED RATE	2.7000%	02/09/1990	02/20/2020	316.25	2.95	254.53	2.38
	FIXED RATE	2.7000%	02/09/1990	02/20/2020	4,986.00	46.55	4,001.12	37.35
	FIXED RATE	2.7000%	02/09/1990	02/20/2020	5,080.00	47.43	2,556.08	23.86
	FIXED RATE	2.7000%	02/09/1990	02/20/2020	10,560.00	98.59	5,054.54	47.19
	FIXED RATE	2.7000%	02/09/1990	02/20/2020	21,752.00	203.08	13,156.44	122.83
	FIXED RATE	2.7000%	02/09/1990	02/20/2020	4,867.00	45.44	3,620.73	33.80
	FIXED RATE	2.7000%	02/09/1990	02/20/2020	4,301.00	40.15	3,461.37	32.32
	FIXED RATE	2.7000%	07/16/1991	06/20/2021	2,065.00	19.28	1,549.73	14.47
	FIXED RATE	2.7000%	07/16/1991	06/20/2021	1,663.00	15.53	1,290.73	12.05
	FIXED RATE	2.7000%	07/16/1991	06/20/2021	1,795.00	16.76	1,074.08	10.03
	FIXED RATE	2.7000%	07/16/1991	06/20/2021	5,266.00	49.16	4,120.45	38.47
	FIXED RATE	2.7000%	07/16/1991	06/20/2021	10,790.00	100.74	9,030.07	84.30
	FIXED RATE	2.7000%	07/16/1991	06/20/2021	3,516.00	32.83	2,976.33	27.79
	FIXED RATE	2.7000%	07/16/1991	06/20/2021	9,427.00	88.01	7,932.86	74.06
	FIXED RATE	2.7000%	03/20/1992	03/20/2022	7,655.00	71.47	4,205.05	39.26
	FIXED RATE	2.7000%	08/30/1995	08/20/2025	5,356.00	50.00	5,030.11	46.96
	FIXED RATE	2.7000%	08/30/1995	08/20/2025	3,454.00	32.25	2,980.93	27.83
	FIXED RATE	2.7000%	08/30/1995	08/20/2025	17,064.00	159.31	12,306.05	114.89
	FIXED RATE	2.7000%	08/30/1995	08/20/2025	4,982.00	46.51	4,693.66	43.82
	FIXED RATE	2.7000%	08/30/1995	08/20/2025	5,746.00	53.64	4,316.78	40.30
	FIXED RATE	2.7000%	08/30/1995	08/20/2025	11,103.00	103.66	8,644.96	80.71
	FIXED RATE	2.7000%	08/30/1995	08/20/2025	4,275.00	39.91	3,388.18	31.63
	FIXED RATE	2.7000%	08/30/1995	08/20/2025	7,893.00	73.69	6,498.73	60.67
	FIXED RATE	2.7000%	08/30/1995	08/20/2025	2,303.00	21.50	1,256.70	11.73
	FIXED RATE	2.7000%	03/18/1997	03/20/2027	4,844.00	45.22	2,664.87	24.88
	FIXED RATE	2.7000%	03/18/1997	03/20/2027	6,698.00	62.53	3,627.98	33.87
	FIXED RATE	2.7000%	03/18/1997	03/20/2027	5,772.00	53.89	5,309.15	49.57
	FIXED RATE	2.7000%	03/18/1997	03/20/2027	7,103.00	66.31	3,679.47	34.35
	FIXED RATE	2.7000%	05/26/1989	05/20/2019	2,063.00	19.26	1,532.76	14.31
	FIXED RATE	2.7000%	05/26/1989	05/20/2019	4,776.00	44.59	2,492.21	23.27
	FIXED RATE	2.7000%	05/26/1989	05/20/2019	2,500.00	23.34	1,890.23	17.65
	FIXED RATE	2.7000%	05/26/1989	05/20/2019	2,633.00	24.58	1,477.52	13.79
	FIXED RATE	2.7000%	05/26/1989	05/20/2019	5,500.00	51.35	3,811.45	35.58
	FIXED RATE	3.0000%	12/17/1987	12/20/2012	30,000.00	280.08	14,594.58	136.25
	FIXED RATE	3.0000%	09/03/1992	09/20/2017	25,380.00	236.95	19,206.46	179.31
	FIXED RATE	3.0000%	08/19/1993	08/20/2023	6,872.00	64.16	6,503.24	60.71
	FIXED RATE	3.0000%	08/19/1993	08/20/2023	4,633.00	43.25	3,870.96	36.14
	FIXED RATE	3.0000%	08/19/1993	08/20/2023	3,803.00	35.50	3,470.44	32.40
	FIXED RATE	3.0000%	08/19/1993	08/20/2023	3,055.00	28.52	2,980.44	27.83
	FIXED RATE	3.0000%	08/19/1993	08/20/2023	9,294.00	86.77	5,598.96	52.27
	FIXED RATE	3.0000%	12/20/1994	12/20/2024	9,620.00	89.81	9,557.24	89.23
	FIXED RATE	3.0000%	12/20/1994	12/20/2024	11,754.00	109.74	11,753.90	109.73
	FIXED RATE	3.0000%	06/20/1980	06/20/2010	5,400.00	50.41	1,712.18	15.98
	FIXED RATE	3.0000%	06/20/1980	06/20/2010	62.28	0.58	19.73	0.18
	FIXED RATE	3.0000%	06/20/1980	06/20/2010	577.55	5.39	183.11	1.71
	FIXED RATE	3.0000%	06/20/1980	06/20/2010	1,860.00	17.36	589.75	5.51
	FIXED RATE	3.0000%	06/20/1980	06/20/2010	85.18	0.80	27.00	0.25
	FIXED RATE	3.0000%	06/20/1980	06/20/2010	149.90	1.40	47.52	0.44
	FIXED RATE	3.0000%	06/20/1980	06/20/2010	5,410.00	50.51	1,715.36	16.01
	FIXED RATE	3.0000%	06/20/1980	06/20/2010	810.07	7.56	256.84	2.40
	FIXED RATE	3.0000%	06/20/1980	06/20/2010	979.81	9.15	310.66	2.90
	FIXED RATE	3.0000%	06/16/1981	06/20/2011	5,000.00	46.68	1,744.04	16.28
	FIXED RATE	3.0000%	06/16/1981	06/20/2011	3,825.52	35.72	1,399.56	13.07
	FIXED RATE	3.0000%	06/16/1981	06/20/2011	7,571.84	70.69	2,770.17	25.86
	FIXED RATE	3.0000%	05/31/1982	05/20/2012	3,985.19	37.21	1,652.37	15.43
	FIXED RATE	3.0000%	05/31/1982	05/20/2012	2,765.83	25.82	1,146.79	10.71
	FIXED RATE	3.0000%	05/31/1982	05/20/2012	301.37	2.81	124.93	1.17
	FIXED RATE	3.0000%	05/31/1982	05/20/2012	3,420.92	31.94	1,418.41	13.24
	FIXED RATE	3.0000%	05/31/1982	05/10/2012	3,773.45	35.23	1,564.60	14.61
	FIXED RATE	3.0000%	09/09/1983	09/20/2013	2,943.82	27.48	1,436.00	13.41
	FIXED RATE	3.0000%	09/09/1983	09/20/2013	2,123.40	19.82	995.84	9.30
	FIXED RATE	3.0000%	09/09/1983	09/20/2013	1,140.00	10.64	503.86	4.70
	FIXED RATE	3.0000%	09/09/1983	09/20/2013	4,600.00	42.95	2,191.92	20.46
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	2,254.00	21.04	112.03	1.05
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	4,837.00	45.16	3,145.31	29.36
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	10,818.00	101.00	6,376.00	59.53
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	2,090.00	19.51	1,447.33	13.51
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	5,735.00	53.54	4,025.06	37.58

EXTERNAL DEBT OF THE REPUBLIC OF THE PHILIPPINES⁽¹⁾ — (Continued)
AS OF DECEMBER 31, 2003
IN MILLIONS OF CURRENCY INDICATED

CURRENCY	INTEREST RATE BASIS	INTEREST RATE/ SPREAD/ SERVICE CHARGE (Per Annum)	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003	
					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	3,193.00	29.81	1,915.28	17.88
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	4,611.00	43.05	3,178.17	29.67
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	3,372.00	31.48	1,922.61	17.95
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	2,000.00	18.67	989.57	9.24
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	707.00	6.60	427.58	3.99
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	313.93	2.93	222.02	2.07
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	300.44	2.80	212.48	1.98
	FIXED RATE	3.0000%	05/31/1988	05/20/2018	14,003.00	130.73	9,862.84	92.08
	FIXED RATE	3.0000%	12/20/1994	12/20/2024	4,616.00	43.09	4,323.47	40.36
	FIXED RATE	3.2500%	11/09/1978	11/20/2008	4,554.10	42.52	1,110.75	10.37
	FIXED RATE	3.2500%	11/09/1978	11/20/2008	1,257.12	11.74	306.61	2.86
	FIXED RATE	3.2500%	11/09/1978	11/20/2008	2,913.08	27.20	710.50	6.63
	FIXED RATE	3.2500%	11/09/1978	11/20/2008	5,263.39	49.14	1,283.74	11.98
	FIXED RATE	3.2500%	11/09/1978	05/20/2008	8,128.00	75.88	1,973.56	18.43
	FIXED RATE	3.2500%	11/09/1978	11/20/2008	290.07	2.71	70.74	0.66
	FIXED RATE	3.2500%	11/09/1978	11/20/2008	176.78	1.65	43.11	0.40
	FIXED RATE	3.2500%	11/09/1978	11/20/2008	155.99	1.46	38.04	0.36
	FIXED RATE	3.2500%	11/09/1978	11/20/2008	2,185.29	20.40	532.98	4.98
	FIXED RATE	3.5000%	11/26/1986	11/20/2006	32,895.00	307.11	6,366.77	59.44
	FIXED RATE	3.5000%	05/07/1984	05/20/2014	2,997.01	27.98	1,535.04	14.33
	FIXED RATE	3.5000%	05/07/1984	05/20/2014	1,381.00	12.89	287.28	2.68
	FIXED RATE	3.5000%	05/30/1986	05/20/2016	102.06	0.95	62.20	0.58
	FIXED RATE	3.5000%	05/30/1986	05/20/2016	457.38	4.27	278.88	2.60
	FIXED RATE	3.5000%	05/30/1986	05/20/2016	7,595.00	70.91	4,453.40	41.58
	FIXED RATE	3.5000%	05/30/1986	05/20/2016	3,979.50	37.15	2,426.50	22.65
	FIXED RATE	3.5000%	05/30/1986	05/20/2016	1,439.00	13.43	587.93	5.49
	FIXED RATE	3.5000%	05/30/1986	05/20/2016	1,457.60	13.61	888.78	8.30
	FIXED RATE	4.2500%	03/26/1979	03/20/2004	10,855.20	101.34	293.38	2.74
	FIXED RATE	2.2000%	03/20/2012	03/20/2032	5,582.00	52.11	0.00	0.00
	FIXED RATE	0.7500%	03/20/2012	03/20/2042	1,141.00	10.65	170.85	1.60
	FIXED RATE	2.2000%	03/20/2012	03/20/2032	2,651.00	24.75	0.00	0.00
	FIXED RATE	0.7500%	03/20/2012	03/20/2042	573.00	5.35	129.37	1.21
	FIXED RATE	1.7000%	03/20/2012	03/20/2032	5,389.00	50.31	24.20	0.23
	FIXED RATE	0.7500%	03/20/2012	03/20/2042	1,401.00	13.08	253.26	2.36
	FIXED RATE	0.9500%	03/20/2012	03/20/2042	16,310.00	152.27	0.00	0.00
	FIXED RATE	0.7500%	03/20/2012	03/20/2042	2,178.00	20.33	71.57	0.67
	FIXED RATE	3.5000%	12/22/1994	05/31/2007	48,000.00	448.13	16,974.34	158.47
	FIXED RATE	6.0000%	03/11/1993	02/01/2013	25,000.00	233.40	13,437.14	125.45
	FIXED RATE	6.0000%	04/27/1990	06/15/2009	48,000.00	448.13	14,429.25	134.71
	FIXED RATE	1.9500%	09/22/2000	10/14/2013	16,600.00	154.98	15,095.59	140.93
	FIXED RATE	2.1000%	03/25/1999	12/15/2011	20,308.18	189.60	11,253.61	105.06
	FIXED RATE	2.1000%	08/25/1999	06/15/2011	9,697.89	90.54	7,639.85	71.33
	LIBOR 6 MONTHS	2.2500%	09/22/2000	04/25/2015	2,940.00	27.45	2,940.00	27.45
	LIBOR 6 MONTHS	2.5000%	09/13/2001	12/12/2006	3,583.80	33.46	4,320.00	40.33
	LONG TERM PRIME LENDING RATE	-0.0200%	02/17/1999	09/15/2018	43,800.00	408.92	12,080.00	112.78
	LONG TERM PRIME LENDING RATE	-0.0200%	02/17/2000	09/15/2019	43,800.00	408.92	32,321.59	301.75
	LONG TERM PRIME LENDING RATE	0.5000%	06/23/1997	05/15/2021	20,800.00	194.19	9,274.37	86.59
KOREAN WON					24,961.98	20.84	3,970.76	3.32
	FIXED RATE	2.5000%	02/24/1998	02/20/2028	21,172.00	17.68	2,075.81	1.73
	FIXED RATE	3.5000%	03/12/1991	03/20/2011	3,789.98	3.16	1,894.95	1.58
KUWAIT DINAR					11.05	38.26	1.90	6.57
	FIXED RATE	3.5000%	05/06/1998	08/15/2018	6.15	21.29	0.31	1.08
	FIXED RATE	4.5000%	12/26/1984	02/15/2008	4.90	16.97	1.59	5.49
SWEDISH KRONER					18.31	2.52	15.37	2.11
	INTEREST FREE	0.0000%	02/13/1998	12/30/2008	18.31	2.52	15.37	2.11
SPECIAL DRAWING RIGHT					914.01	1,353.01	665.79	985.57
	INTEREST FREE	1.0000%	11/22/1990	08/15/2025	16.73	24.76	11.31	16.74
	INTEREST FREE	1.0000%	12/27/1988	11/15/2023	5.91	8.75	5.17	7.65
	INTEREST FREE	1.0000%	11/09/1990	11/15/2025	35.87	53.11	33.18	49.12
	INTEREST FREE	1.0000%	07/11/1991	02/15/2026	50.00	74.02	46.88	69.39
	INTEREST FREE	1.0000%	03/06/1992	06/01/2027	26.40	39.08	23.48	34.76
	INTEREST FREE	1.0000%	11/22/1993	06/01/2028	50.50	74.76	24.96	36.95
	INTEREST FREE	1.0000%	12/27/1988	10/15/2023	18.68	27.65	14.03	20.77
	INTEREST FREE	1.0000%	01/25/1991	08/15/2025	24.19	35.81	22.38	33.13

EXTERNAL DEBT OF THE REPUBLIC OF THE PHILIPPINES⁽¹⁾ — (Continued)
AS OF DECEMBER 31, 2003
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CURRENCY	INTEREST RATE BASIS	INTEREST RATE/ SPREAD/ SERVICE CHARGE (Per Annum)	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003	
					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
	INTEREST FREE	1.0000%	06/24/1992	11/15/2026	27.16	40.21	22.07	32.67
	INTEREST FREE	1.0000%	11/22/1990	08/15/2025	69.70	103.17	63.11	93.42
	INTEREST FREE	1.0000%	12/18/1989	10/01/2024	25.04	37.07	14.14	20.93
	INTEREST FREE	1.0000%	01/20/1995	10/15/2029	11.93	17.65	7.05	10.44
	INTEREST FREE	1.0000%	10/25/1990	09/15/2025	18.25	27.01	16.55	24.50
	INTEREST FREE	1.0000%	09/12/1988	05/15/2023	53.41	79.06	40.48	59.93
	INTEREST FREE	1.0000%	02/17/1989	11/15/2023	14.77	21.87	12.72	18.84
	INTEREST FREE	1.0000%	11/05/1993	06/15/2028	18.02	26.68	14.07	20.83
	INTEREST FREE	1.0000%	02/17/1989	10/15/2023	25.85	38.27	22.62	33.49
	INTEREST FREE	1.0000%	07/04/1988	04/01/2023	43.44	64.31	37.47	55.46
	INTEREST FREE	1.0000%	10/05/1989	08/15/2024	39.77	58.87	35.79	52.98
	INTEREST FREE	1.0000%	11/28/1991	11/15/2026	35.25	52.17	27.63	40.90
	INTEREST FREE	1.0000%	01/20/1995	10/15/2029	36.80	54.48	21.88	32.39
	INTEREST FREE	1.0000%	04/21/1988	02/01/2023	11.61	17.19	9.04	13.39
	INTEREST FREE	1.0000%	11/28/1991	11/15/2026	22.03	32.61	20.93	30.98
	INTEREST FREE	1.0000%	01/11/1996	09/15/2029	15.65	23.16	5.01	7.42
	INTEREST FREE	1.0000%	11/22/1990	11/15/2025	14.36	21.26	12.47	18.45
	INTEREST FREE	1.0000%	12/24/1992	10/01/2027	34.65	51.29	12.12	17.94
	INTEREST FREE	1.0000%	04/24/1986	05/15/2026	43.40	64.24	36.89	54.60
	INTEREST FREE	1.0000%	11/27/1995	05/15/2030	9.63	14.26	8.66	12.82
	INTEREST FREE	1.0000%	11/27/1995	04/15/2030	17.64	26.11	11.88	17.58
	INTEREST FREE	1.0000%	06/04/1996	03/15/2021	12.76	18.89	6.34	9.39
	INTEREST FREE	1.0000%	07/23/1997	05/15/2021	13.84	20.49	1.96	2.91
	INTEREST FREE	1.0000%	01/21/1998	09/01/2032	11.02	16.31	4.34	6.43
	INTEREST FREE	1.0000%	04/15/1998	11/15/2032	6.49	9.61	4.28	6.34
	INTEREST FREE	0.0000%	11/29/2000	01/15/2040	4.50	6.66	0.62	0.92
	INTEREST FREE	0.0000%	09/25/2000	01/15/2040	6.00	8.88	0.00	0.00
	FIXED RATE	0.7500%	03/06/1996	03/15/2030	6.15	9.10	3.44	5.09
	FIXED RATE	0.7500%	04/29/1998	03/15/2038	11.00	16.28	3.71	5.50
	FIXED RATE	4.0000%	05/18/1992	04/01/2012	11.00	16.28	5.37	7.95
	FIXED RATE	0.7500%	05/08/2002	10/01/2041	11.60	17.17	1.07	1.59
	FIXED RATE	4.0000%	04/22/1987	03/01/2007	3.02	4.48	0.67	1.00
					8,921.16	8,921.16	4,606.08	4,606.08
UNITED STATES DOLLARS								
	ADB FLOATING RATE	0.0000%	11/22/1990	11/15/2015	9.00	9.00	6.57	6.57
	ADB FLOATING RATE	0.0000%	10/25/1990	09/15/2020	33.00	33.00	29.27	29.27
	ADB FLOATING RATE	0.0000%	12/23/1986	04/01/2012	82.00	82.00	53.88	53.88
	ADB FLOATING RATE	0.0000%	11/27/1995	05/15/2022	15.00	15.00	10.51	10.51
	ADB FLOATING RATE	0.0000%	01/20/1995	10/15/2019	41.00	41.00	34.77	34.77
	ADB FLOATING RATE	0.0000%	12/23/1986	06/15/2016	18.80	18.80	14.22	14.22
	ADB FLOATING RATE	0.0000%	10/05/1989	08/15/2004	30.00	30.00	4.04	4.04
	ADB FLOATING RATE	0.0000%	12/23/1986	10/01/2010	24.00	24.00	12.97	12.97
	ADB FLOATING RATE	0.0000%	11/09/1990	11/15/2005	50.00	50.00	12.85	12.85
	ADB FLOATING RATE	0.0000%	01/11/1996	09/15/2021	9.50	9.50	7.67	7.67
	ADB FLOATING RATE	0.0000%	02/04/1991	08/15/2015	150.00	150.00	115.72	115.72
	ADB FLOATING RATE	0.0000%	11/27/1995	04/15/2020	30.00	30.00	10.94	10.94
	ADB FLOATING RATE	0.0000%	01/20/1995	10/01/2016	23.50	23.50	18.52	18.52
	ADB FLOATING RATE	0.0000%	12/24/1992	10/01/2017	50.00	50.00	15.94	15.94
	ADB FLOATING RATE	0.0000%	05/02/1996	05/01/2010	150.00	150.00	47.16	47.16
	ADB FLOATING RATE	0.0000%	06/03/1997	03/15/2021	18.50	18.50	8.16	8.16
	ADB FLOATING RATE	0.0000%	06/23/1997	05/15/2021	167.00	167.00	86.72	86.72
	ADB FLOATING RATE	0.0000%	04/24/1986	05/15/2006	50.00	50.00	13.87	13.87
	ADB FLOATING RATE	0.0000%	12/21/1998	08/15/2013	300.00	300.00	270.94	270.94
	ADB FLOATING RATE	0.0000%	12/21/1998	08/01/2013	200.00	200.00	183.43	183.43
	ADB FLOATING RATE	0.0000%	01/21/1998	09/01/2022	93.00	93.00	11.77	11.77
	ADB FLOATING RATE	0.0000%	01/21/1998	09/01/2022	20.22	20.22	6.34	6.34
	ADB FLOATING RATE	0.0000%	04/15/1998	11/15/2022	15.70	15.70	6.93	6.93
	ADB FLOATING RATE	0.0000%	01/21/1998	11/15/2022	22.00	22.00	1.25	1.25
	ADB FLOATING RATE	0.0000%	12/21/1998	08/01/2022	71.00	71.00	11.58	11.58
	ADB FLOATING RATE	0.0000%	03/01/1999	08/01/2025	53.00	53.00	6.79	6.79
	ADB FLOATING RATE	0.0000%	03/01/1999	12/01/2023	24.30	24.30	2.74	2.74
	ADB FLOATING RATE	0.0000%	03/01/1999	12/15/2023	93.16	93.16	29.18	29.18
	ADB FLOATING RATE	0.0000%	03/01/1999	08/15/2023	60.00	60.00	12.24	12.24
	ADB FLOATING RATE	0.0000%	07/18/2000	08/15/2014	100.00	100.00	27.08	27.08
	ADB FLOATING RATE	0.0000%	07/18/2000	08/15/2024	75.00	75.00	4.78	4.78
	ADB FLOATING RATE	0.0000%	07/21/2000	02/15/2015	100.00	100.00	99.10	99.10
	ADB FLOATING RATE	0.0000%	07/21/2000	02/15/2015	75.00	75.00	3.17	3.17
	ADB FLOATING RATE	0.0000%	11/16/2000	08/15/2025	25.00	25.00	4.04	4.04
	ADB FLOATING RATE	0.0000%	11/19/2001	08/15/2016	75.00	75.00	75.00	75.00
	ADB FLOATING RATE	0.0000%	10/22/2001	09/15/2025	75.00	75.00	3.56	3.56

EXTERNAL DEBT OF THE REPUBLIC OF THE PHILIPPINES⁽¹⁾ — (Continued)
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CURRENCY	INTEREST RATE BASIS	INTEREST RATE/ SPREAD/ SERVICE CHARGE (Per Annum)	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003	
					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
	ADB FLOATING RATE	0.0000%	09/02/2003	08/15/2018	100.00	100.00	75.00	75.00
	COST QUA. BOR. IBRD 6M	0.5000%	12/22/1989	03/15/2010	200.00	200.00	114.61	114.61
	COST QUA. BOR. IBRD 6M	0.5000%	06/04/1984	07/01/2004	90.95	90.95	5.76	5.76
	COST QUA. BOR. IBRD 6M	0.5000%	01/19/1990	02/01/2010	40.00	40.00	22.54	22.54
	COST QUA. BOR. IBRD 6M	0.5000%	05/31/1989	06/15/2009	300.00	300.00	150.19	150.19
	COST QUA. BOR. IBRD 6M	0.5000%	09/26/1984	10/01/2004	150.00	150.00	10.00	10.00
	COST QUA. BOR. IBRD 6M	0.5000%	11/09/1989	09/15/2009	70.10	70.10	36.40	36.40
	COST QUA. BOR. IBRD 6M	0.5000%	08/10/1984	08/15/2004	35.81	35.81	2.21	2.21
	COST QUA. BOR. IBRD 6M	0.5000%	03/16/1990	04/15/2010	40.00	40.00	17.74	17.74
	COST QUA. BOR. IBRD 6M	0.5000%	06/09/1993	08/01/2013	28.36	28.36	22.08	22.08
	COST QUA. BOR. IBRD 6M	0.5000%	06/09/1993	08/01/2013	22.94	22.94	14.35	14.35
	COST QUA. BOR. IBRD 6M	0.5000%	12/23/1992	02/01/2013	200.00	200.00	150.80	150.80
	COST QUA. BOR. IBRD 6M	0.5000%	02/05/1992	03/15/2012	90.79	90.79	61.90	61.90
	COST QUA. BOR. IBRD 6M	0.5000%	02/05/1992	03/15/2012	59.21	59.21	43.01	43.01
	COST QUA. BOR. IBRD 6M	0.5000%	07/15/1993	03/01/2013	37.54	37.54	28.16	28.16
	COST QUA. BOR. IBRD 6M	0.5000%	07/15/1993	03/01/2013	25.46	25.46	15.32	15.32
	COST QUA. BOR. IBRD 6M	0.5000%	06/19/1986	01/01/2006	82.00	82.00	16.33	16.33
	COST QUA. BOR. IBRD 6M	0.5000%	09/01/1988	08/01/2008	200.00	200.00	92.88	92.88
	COST QUA. BOR. IBRD 6M	0.5000%	07/09/1990	09/15/2010	200.00	200.00	105.88	105.88
	COST QUA. BOR. IBRD 6M	0.5000%	02/07/1984	02/01/2004	24.97	24.97	0.66	0.66
	COST QUA. BOR. IBRD 6M	0.5000%	06/13/1988	08/15/2008	45.00	45.00	10.91	10.91
	COST QUA. BOR. IBRD 6M	0.5000%	04/28/1995	04/01/2015	1.30	1.30	1.11	1.11
	COST QUA. BOR. IBRD 6M	0.5000%	04/28/1995	04/01/2015	16.70	16.70	8.53	8.53
	COST QUA. BOR. IBRD 6M	0.5000%	03/30/1987	01/01/2007	300.00	300.00	70.00	70.00
	COST QUA. BOR. IBRD 6M	0.5000%	07/11/1991	08/15/2011	139.44	139.44	92.60	92.60
	COST QUA. BOR. IBRD 6M	0.5000%	07/11/1991	08/15/2011	18.56	18.56	3.74	3.74
	COST QUA. BOR. IBRD 6M	0.5000%	02/04/1985	01/05/2005	3.95	3.95	0.35	0.35
	COST QUA. BOR. IBRD 6M	0.5000%	09/01/1988	08/15/2008	125.26	125.26	58.16	58.16
	INTEREST FREE	1.0000%	12/20/1974	10/01/2014	5.77	5.77	2.54	2.54
	INTEREST FREE	1.0000%	11/10/1978	10/01/2018	14.00	14.00	8.40	8.40
	INTEREST FREE	1.0000%	08/27/1979	02/01/2019	12.34	12.34	7.65	7.65
	INTEREST FREE	1.0000%	10/22/1980	09/15/2020	12.20	12.20	8.26	8.26
	INTEREST FREE	1.0000%	10/12/1981	09/01/2021	12.11	12.11	8.72	8.72
	INTEREST FREE	1.0000%	01/05/1973	09/01/2022	12.70	12.70	7.24	7.24
	INTEREST FREE	1.0000%	04/05/1974	04/15/2024	9.50	9.50	5.84	5.84
	INTEREST FREE	1.0000%	04/21/1978	12/15/2027	21.52	21.52	15.49	15.49
	INTEREST FREE	1.0000%	06/27/1979	06/01/2029	32.22	32.22	24.65	24.65
	FIXED RATE	0.3000%	05/28/2002	11/30/2032	4.40	4.40	2.87	2.87
	FIXED RATE	0.3000%	05/28/2002	11/30/2032	6.78	6.78	6.78	6.78
	FIXED RATE	0.3000%	05/28/2002	11/30/2032	18.56	18.56	11.42	11.42
	FIXED RATE	0.3000%	05/28/2002	11/30/2032	12.90	12.90	7.27	7.27
	FIXED RATE	1.0000%	09/22/2000	10/04/2030	7.01	7.01	7.01	7.01
	FIXED RATE	1.0000%	08/03/2001	12/31/2031	40.00	40.00	39.73	39.73
	FIXED RATE	1.0000%	06/28/2002	12/27/2032	14.55	14.55	14.55	14.55
	FIXED RATE	1.0000%	06/28/2002	02/13/2033	5.43	5.43	5.43	5.43
	FIXED RATE	1.5000%	07/11/1996	03/17/2026	25.18	25.18	25.75	25.75
	FIXED RATE	1.7500%	08/06/2000	12/15/2016	10.00	10.00	7.55	7.55
	FIXED RATE	2.0000%	12/24/1980	10/01/2021	4.87	4.87	3.38	3.38
	FIXED RATE	2.0000%	07/23/1982	04/15/2023	4.15	4.15	4.05	4.05
	FIXED RATE	2.0000%	04/03/1984	08/19/2021	0.04	0.04	0.03	0.03
	FIXED RATE	2.0000%	03/24/1975	05/31/2017	15.00	15.00	8.32	8.32
	FIXED RATE	2.0000%	07/29/1975	02/16/2017	3.47	3.47	1.93	1.93
	FIXED RATE	2.0000%	12/22/1975	09/13/2017	4.84	4.84	2.77	2.77
	FIXED RATE	2.0000%	03/11/1974	12/07/2016	1.38	1.38	0.74	0.74
	FIXED RATE	2.0000%	04/28/1976	04/25/2017	8.90	8.90	4.94	4.94
	FIXED RATE	2.0000%	06/27/1977	04/27/2018	2.93	2.93	1.72	1.72
	FIXED RATE	2.0000%	01/13/1978	05/18/2019	4.86	4.86	2.93	2.93
	FIXED RATE	2.0000%	01/13/1978	11/09/2018	1.46	1.46	0.88	0.88
	FIXED RATE	2.0000%	08/18/1978	10/14/2018	0.68	0.68	0.43	0.43
	FIXED RATE	2.0000%	02/23/1979	04/08/2020	10.61	10.61	6.90	6.90
	FIXED RATE	2.0000%	03/28/1980	03/05/2021	6.36	6.36	4.33	4.33
	FIXED RATE	2.0000%	02/15/1979	04/28/2021	4.13	4.13	2.81	2.81
	FIXED RATE	2.0000%	02/15/1978	05/15/2021	3.98	3.98	2.71	2.71
	FIXED RATE	2.0000%	07/16/1979	09/15/2020	3.63	3.63	2.42	2.42
	FIXED RATE	2.0000%	08/01/1979	01/11/2022	0.83	0.83	0.59	0.59
	FIXED RATE	2.0000%	08/01/1978	01/06/2024	0.44	0.44	0.33	0.33
	FIXED RATE	2.0000%	08/29/1980	10/13/2021	0.39	0.39	0.27	0.27
	FIXED RATE	2.0000%	11/06/1981	11/06/2021	9.65	9.65	6.71	6.71
	FIXED RATE	2.0000%	05/28/1981	08/26/2022	0.91	0.91	0.66	0.66
	FIXED RATE	2.0000%	08/29/1980	06/01/2021	2.09	2.09	1.42	1.42

EXTERNAL DEBT OF THE REPUBLIC OF THE PHILIPPINES⁽¹⁾ — (Continued)
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CURRENCY	INTEREST RATE BASIS	INTEREST RATE/ SPREAD/ SERVICE CHARGE (Per Annum)	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003	
					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
	FIXED RATE	2.0000%	09/25/1981	03/15/2022	3.04	3.04	2.16	2.16
	FIXED RATE	2.0000%	09/30/1981	08/17/2021	0.82	0.82	0.59	0.59
	FIXED RATE	2.0000%	08/31/1982	06/14/2023	0.81	0.81	0.60	0.60
	FIXED RATE	2.0000%	09/29/1982	04/28/2023	0.21	0.21	0.16	0.16
	FIXED RATE	2.0000%	05/23/1984	06/02/2023	0.04	0.04	0.03	0.03
	FIXED RATE	2.0000%	08/31/1983	11/16/2024	0.18	0.18	0.14	0.14
	FIXED RATE	2.0000%	08/24/1979	02/20/2021	1.05	1.05	0.71	0.71
	FIXED RATE	2.0000%	10/28/1980	12/16/2023	3.74	3.74	2.81	2.81
	FIXED RATE	2.0000%	12/04/1980	10/28/2023	0.49	0.49	0.39	0.39
	FIXED RATE	2.0000%	07/21/1982	09/12/2023	0.29	0.29	0.23	0.23
	FIXED RATE	2.0000%	07/30/1983	04/16/2025	0.98	0.98	0.78	0.78
	FIXED RATE	2.0000%	07/29/1983	10/01/2024	0.06	0.06	0.05	0.05
	FIXED RATE	2.0000%	03/26/1984	10/10/2024	0.35	0.35	0.28	0.28
	FIXED RATE	2.0000%	02/15/1979	11/22/2022	0.74	0.74	0.53	0.53
	FIXED RATE	2.0000%	06/30/1980	02/14/2023	2.30	2.30	1.70	1.70
	FIXED RATE	2.0000%	06/01/1994	11/23/2019	14.97	14.97	11.41	11.41
	FIXED RATE	2.0000%	06/20/1986	10/13/2016	31.99	31.99	15.99	15.99
	FIXED RATE	2.0000%	05/19/1988	07/03/2018	29.99	29.99	17.30	17.30
	FIXED RATE	2.0000%	07/31/1990	10/25/2020	21.00	21.00	13.73	13.73
	FIXED RATE	2.0000%	08/02/1999	12/30/2019	15.13	15.13	15.13	15.13
	FIXED RATE	2.0000%	08/02/1999	02/11/2020	14.87	14.87	14.87	14.87
	FIXED RATE	2.0000%	07/08/1985	10/25/2015	40.00	40.00	18.46	18.46
	FIXED RATE	2.0000%	07/12/2000	01/19/2021	23.35	23.35	23.35	23.35
	FIXED RATE	2.0000%	07/12/2000	01/19/2021	16.65	16.65	16.64	16.64
	FIXED RATE	2.5000%	06/30/1997	04/28/2014	9.48	9.48	9.01	9.01
	FIXED RATE	3.0000%	12/04/1980	04/06/2022	2.30	2.30	1.60	1.60
	FIXED RATE	3.0000%	07/06/1989	07/06/2007	100.00	100.00	33.33	33.33
	FIXED RATE	3.0000%	05/17/1991	10/01/2021	15.00	15.00	11.25	11.25
	FIXED RATE	3.0000%	01/30/1992	04/05/2022	20.00	20.00	15.83	15.83
	FIXED RATE	3.0000%	04/30/1993	11/26/2023	20.00	20.00	16.67	16.67
	FIXED RATE	3.0000%	10/30/2001	10/30/2011	35.00	35.00	0.79	0.79
	FIXED RATE	3.0000%	09/19/2002	12/01/2016	41.25	41.25	38.02	38.02
	FIXED RATE	3.0250%	03/30/1988	10/15/2004	6.50	6.50	0.54	0.54
	FIXED RATE	3.2500%	09/27/1990	04/15/2006	4.89	4.89	1.22	1.22
	FIXED RATE	3.2500%	09/22/1997	03/22/2014	10.00	10.00	2.39	2.39
	FIXED RATE	3.4000%	03/01/1996	12/15/2012	22.95	22.95	20.65	20.65
	FIXED RATE	3.4000%	06/06/1997	12/15/2014	36.82	36.82	27.81	27.81
	FIXED RATE	3.4000%	05/01/1998	05/15/2014	38.51	38.51	38.51	38.51
	FIXED RATE	3.9500%	12/23/1994	01/28/2006	6.13	6.13	0.00	0.00
	FIXED RATE	4.0000%	07/16/1998	11/05/2018	10.00	10.00	9.37	9.37
	FIXED RATE	4.5500%	05/28/2002	01/31/2009	4.40	4.40	3.76	3.76
	FIXED RATE	4.5500%	05/28/2002	11/30/2008	6.78	6.78	5.86	5.86
	FIXED RATE	4.5500%	05/28/2002	09/30/2008	18.56	18.56	11.42	11.42
	FIXED RATE	4.5500%	05/28/2002	09/30/2008	12.90	12.90	7.27	7.27
	FIXED RATE	5.2000%	03/05/1998	10/15/2010	24.99	24.99	14.92	14.92
	FIXED RATE	5.2000%	11/08/1999	11/15/2012	99.45	99.45	79.76	79.76
	FIXED RATE	5.9500%	12/23/1994	03/01/2006	34.75	34.75	11.85	11.85
	FIXED RATE	7.1800%	09/22/2000	04/05/2008	7.01	7.01	5.43	5.43
	FIXED RATE	7.6000%	11/07/1979	09/01/2009	39.65	39.65	17.41	17.41
	FIXED RATE	7.7000%	06/09/1978	04/15/2008	23.50	23.50	8.22	8.22
	FIXED RATE	7.7300%	04/06/1990	07/15/2010	40.88	40.88	17.85	17.85
	FIXED RATE	7.7300%	04/06/1990	07/15/2010	80.92	80.92	45.87	45.87
	FIXED RATE	7.7300%	07/09/1990	09/15/2010	85.00	85.00	26.48	26.48
	FIXED RATE	7.7300%	11/08/1990	08/01/2010	18.63	18.63	5.79	5.79
	FIXED RATE	7.7300%	11/08/1990	08/01/2010	27.57	27.57	15.47	15.47
	FIXED RATE	7.7300%	11/08/1990	11/01/2010	125.00	125.00	65.68	65.68
	FIXED RATE	7.7300%	02/05/1992	04/15/2012	61.00	61.00	38.44	38.44
	FIXED RATE	7.7300%	03/31/1992	06/15/2012	33.25	33.25	19.41	19.41
	FIXED RATE	7.7300%	03/31/1992	06/15/2012	34.75	34.75	23.40	23.40
	FIXED RATE	7.7500%	05/31/1989	03/01/2009	60.00	60.00	30.03	30.03
	FIXED RATE	8.0000%	07/23/1996	10/20/2006	25.75	25.75	10.60	10.60
	FIXED RATE	8.0000%	06/20/1997	05/30/2013	9.48	9.48	4.45	4.45
	FIXED RATE	8.0600%	09/14/1994	04/15/2006	20.42	20.42	4.71	4.71
	FIXED RATE	8.3000%	09/06/1977	04/15/2007	17.53	17.53	5.02	5.02
	FIXED RATE	8.7500%	07/07/1975	05/01/2005	12.80	12.80	1.79	1.79
	FIXED RATE	8.7500%	12/18/1975	11/01/2005	25.98	25.98	4.68	4.68
	FIXED RATE	8.9000%	12/15/1976	07/15/2006	14.60	14.60	3.87	3.87
	FIXED RATE	9.0000%	11/06/1980	07/15/2004	30.00	30.00	3.05	3.05
	FIXED RATE	9.2000%	11/07/1989	04/15/2004	8.76	8.76	0.45	0.45
	FIXED RATE	10.0000%	10/12/1981	09/01/2011	20.79	20.79	12.60	12.60

EXTERNAL DEBT OF THE REPUBLIC OF THE PHILIPPINES⁽¹⁾ — (Continued)
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CURRENCY	INTEREST RATE BASIS	INTEREST RATE/ SPREAD/ SERVICE CHARGE (Per Annum)	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003	
					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
	FIXED RATE	10.1000%	11/17/1981	08/01/2006	20.17	20.17	5.96	5.96
	FIXED RATE	10.1000%	12/04/1981	09/01/2006	2.48	2.48	0.72	0.72
	FIXED RATE	10.2500%	12/28/1984	04/15/2008	20.63	20.63	8.53	8.53
	FIXED RATE	10.5000%	12/23/1983	11/15/2013	38.30	38.30	25.76	25.76
	FIXED RATE	10.5000%	12/23/1983	10/15/2013	25.15	25.15	16.93	16.93
	FIXED RATE	11.0000%	11/03/1982	09/01/2012	18.80	18.80	11.58	11.58
	FIXED RATE	11.0000%	12/01/1982	05/01/2006	47.39	47.39	12.17	12.17
	FIXED RATE	11.0000%	05/20/1983	01/01/2010	21.77	21.77	12.06	12.06
	LIBOR 6 MONTHS DEPOSIT	0.0000%	06/03/1994	06/01/2024	5.00	5.00	5.00	5.00
	LIBOR 6 MONTHS DEPOSIT	0.0000%	06/03/1994	06/01/2024	10.00	10.00	18.50	18.50
	LIBOR 6 MONTHS DEPOSIT	0.0000%	02/05/1992	02/01/2022	50.00	50.00	10.00	10.00
	LIBOR 6 MONTHS DEPOSIT	0.0000%	03/10/1995	03/10/2015	26.50	26.50	22.50	22.50
	LIBOR 6 MONTHS DEPOSIT	0.0000%	12/14/1999	12/15/2019	27.50	27.50	14.35	14.35
	LIBOR 6 MONTHS DEPOSIT	0.0000%	02/25/2000	04/15/2020	10.00	10.00	89.85	89.85
	LIBOR 6 MONTHS DEPOSIT	0.0000%	04/10/2000	02/15/2020	150.00	150.00	65.82	65.82
	LIBOR 6 MONTHS DEPOSIT	0.0000%	10/20/2000	01/09/2020	4.79	4.79	2.49	2.49
	LIBOR 6 MONTHS DEPOSIT	0.0000%	08/08/2001	05/01/2021	60.00	60.00	5.95	5.95
	LIBOR 6 MONTHS DEPOSIT	0.5000%	12/20/1996	01/15/2017	113.40	113.40	46.05	46.05
	LIBOR 6 MONTHS DEPOSIT	0.5000%	12/20/1996	01/15/2018	50.00	50.00	46.50	46.50
	LIBOR 6 MONTHS DEPOSIT	0.5000%	12/20/1997	01/15/2019	58.00	58.00	32.44	32.44
	LIBOR 6 MONTHS DEPOSIT	0.5000%	09/09/1997	06/15/2018	50.00	50.00	19.42	19.42
	LIBOR 6 MONTHS DEPOSIT	0.5000%	04/08/1998	06/15/2018	10.00	10.00	9.69	9.69
	LIBOR 6 MONTHS DEPOSIT	0.5000%	04/08/1998	06/15/2018	19.00	19.00	12.92	12.92
	LIBOR 6 MONTHS DEPOSIT	0.5000%	09/12/2002	04/15/2019	100.00	100.00	29.67	29.67
	LIBOR 6 MONTHS DEPOSIT	0.5000%	10/07/2002	04/15/2022	100.00	100.00	5.09	5.09
	LIBOR 6 MONTHS DEPOSIT	0.7500%	12/11/1998	09/15/2018	300.00	300.00	100.00	100.00
	LIBOR 6 MONTHS DEPOSIT	0.7500%	03/23/1999	05/15/2019	100.00	100.00	8.85	8.85
	LIBOR 6 MONTHS DEPOSIT	1.6000%	10/19/2000	10/24/2005	300.00	300.00	300.00	300.00
	VARIABLE	0.0000%	01/22/2003	10/15/2022	50.00	50.00	1.50	1.50
	VARIABLE	0.0000%	01/20/2003	06/30/2008	33.60	33.60	1.62	1.62
	VARIABLE	0.0000%	10/02/2003	04/15/2023	21.90	21.90	0.22	0.22
B. RELENT TO GOCC's						3,757.78		2,041.79
BELGIAN FRANCS					1,231.67	38.12	612.21	18.95
	INTEREST FREE	0.0000%	10/30/1992	12/31/2022	150.00	4.64	132.63	4.10
	INTEREST FREE	0.0000%	12/23/1983	12/31/2013	100.00	3.09	37.50	1.16
	INTEREST FREE	0.0000%	11/29/1982	12/31/2012	100.00	3.09	33.75	1.04
	INTEREST FREE	0.0000%	11/04/1981	12/31/2011	300.00	9.28	120.00	3.71
	INTEREST FREE	0.0000%	08/11/1980	12/31/2010	450.00	13.93	157.50	4.87
	INTEREST FREE	0.0000%	03/11/1996	12/31/2025	131.67	4.08	130.83	4.05
DEUTSCHEMARK					131.93	84.22	83.49	53.30
	FIXED RATE	2.0000%	07/10/1989	12/31/2019	32.40	20.68	14.05	8.97
	FIXED RATE	2.0000%	03/22/1982	06/30/2012	9.70	6.19	4.03	2.57
	FIXED RATE	2.0000%	07/10/1989	12/31/2019	14.40	9.19	11.24	7.18
	FIXED RATE	2.0000%	07/10/1989	12/31/2019	62.80	40.09	49.30	31.47
	FIXED RATE	2.0000%	04/10/1981	12/31/2015	12.63	8.06	4.87	3.11
DANISH KRONER					110.00	18.45	32.65	5.48
	INTEREST FREE	0.0000%	02/20/1985	04/01/2009	95.00	15.93	27.61	4.63
	INTEREST FREE	0.0000%	02/20/1985	10/01/2009	15.00	2.52	5.04	0.85
POUNDS STERLING					5.49	9.73	0.22	0.38
	FIXED RATE	2.0000%	03/12/1980	03/12/2005	3.52	6.24	0.00	0.00
	FIXED RATE	2.0000%	09/23/1980	09/23/2005	1.97	3.49	0.22	0.38
JAPANESE YEN					357,002.16	3,332.97	196,742.17	1,836.78
	FIXED RATE	0.7500%	04/07/2000	04/20/2040	1,587.00	14.82	733.39	6.85
	FIXED RATE	0.7500%	04/07/2000	04/20/2040	821.00	7.66	629.90	5.88
	FIXED RATE	0.7500%	09/10/1998	09/20/2038	23,668.00	220.96	6,701.04	62.56
	FIXED RATE	1.0000%	04/07/2000	04/20/2040	20,675.00	193.02	1,398.91	13.06
	FIXED RATE	1.0000%	04/07/2000	04/20/2040	7,445.00	69.51	5,446.25	50.85
	FIXED RATE	2.0000%	08/16/1995	07/31/2025	545.40	5.09	541.35	5.05
	FIXED RATE	2.7000%	05/26/1989	05/20/2019	6,300.00	58.82	3,756.27	35.07
	FIXED RATE	2.7000%	06/28/1990	11/15/2010	5,066.00	47.30	3,982.64	37.18
	FIXED RATE	2.7000%	07/16/1991	04/20/2021	2,005.00	18.72	1,583.23	14.78
	FIXED RATE	2.7000%	07/16/1991	06/20/2021	5,788.00	54.04	4,692.56	43.81
	FIXED RATE	2.7000%	05/26/1992	05/20/2022	1,094.00	10.21	711.66	6.64
	FIXED RATE	2.7000%	07/16/1991	06/20/2021	8,283.00	77.33	6,329.02	59.09
	FIXED RATE	2.7000%	07/16/1991	06/20/2021	4,028.00	37.61	2,855.51	26.66

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CURRENCY	INTEREST RATE BASIS	INTEREST RATE/ SPREAD/ SERVICE CHARGE (Per Annum)	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003	
					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
	FIXED RATE	2.7000%	03/18/1997	03/20/2027	25,665.00	239.61	25,709.95	240.03
	FIXED RATE	2.7000%	03/18/1997	03/20/2027	679.00	6.34	397.25	3.71
	FIXED RATE	2.7000%	05/26/1989	05/20/2019	5,054.00	47.18	3,808.20	35.55
	FIXED RATE	3.0000%	01/29/1993	07/20/2022	3,563.90	33.27	3,001.79	28.02
	FIXED RATE	3.0000%	03/31/1993	03/20/2023	6,112.00	57.06	2,841.31	26.53
	FIXED RATE	3.0000%	08/19/1993	08/20/2023	18,120.00	169.17	17,574.76	164.08
	FIXED RATE	3.0000%	08/19/1993	08/20/2023	1,259.00	11.75	1,166.64	10.89
	FIXED RATE	3.0000%	08/12/1994	08/20/2024	11,433.00	106.74	9,739.81	90.93
	FIXED RATE	3.0000%	12/07/1994	12/20/2024	7,056.00	65.87	3,888.16	36.30
	FIXED RATE	3.0000%	12/07/1994	12/20/2024	6,630.00	61.90	1,304.99	12.18
	FIXED RATE	3.0000%	12/20/1994	12/20/2024	5,513.00	51.47	5,164.02	48.21
	FIXED RATE	3.0000%	12/20/1994	12/20/2024	10,756.00	100.42	320.15	2.99
	FIXED RATE	3.0000%	12/20/1994	12/20/2024	2,896.00	27.04	1,218.99	11.38
	FIXED RATE	3.0000%	12/20/1994	12/20/2024	457.00	4.27	213.91	2.00
	FIXED RATE	3.0000%	12/20/1994	12/20/2024	9,795.00	91.45	9,325.00	87.06
	FIXED RATE	3.0000%	12/20/1994	12/20/2024	6,212.00	58.00	2,327.57	21.73
	FIXED RATE	3.0000%	06/20/1980	06/20/2010	14,832.73	138.48	4,703.05	43.91
	FIXED RATE	3.0000%	06/20/1980	06/20/2010	1,529.75	14.28	485.03	4.53
	FIXED RATE	3.0000%	06/16/1981	06/20/2011	8,516.35	79.51	3,115.73	29.09
	FIXED RATE	3.0000%	06/16/1981	06/20/2011	7,554.76	70.53	2,763.93	25.80
	FIXED RATE	3.0000%	06/16/1981	06/20/2011	4,507.27	42.08	1,649.00	15.40
	FIXED RATE	3.0000%	06/16/1981	06/20/2011	136.58	1.28	49.95	0.47
	FIXED RATE	3.0000%	05/31/1982	05/20/2012	25,489.96	237.97	10,568.99	98.67
	FIXED RATE	3.0000%	05/31/1982	05/20/2012	467.92	4.37	194.00	1.81
	FIXED RATE	3.0000%	05/31/1982	05/20/2012	149.16	1.39	61.83	0.58
	FIXED RATE	3.0000%	09/09/1983	09/20/2013	6,510.19	60.78	3,175.68	29.65
	FIXED RATE	3.0000%	09/09/1983	09/20/2013	4,500.00	42.01	2,193.30	20.48
	FIXED RATE	3.0000%	09/09/1983	09/20/2013	169.79	1.59	82.80	0.77
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	1,272.00	11.88	668.60	6.24
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	6,015.00	56.16	4,197.66	39.19
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	2,478.00	23.13	43.41	0.41
	FIXED RATE	3.0000%	01/27/1988	01/20/2018	192.00	1.79	119.60	1.12
	FIXED RATE	3.2500%	11/09/1978	11/20/2008	4,433.24	41.39	1,081.27	10.09
	FIXED RATE	3.2500%	02/02/1979	02/20/2009	6,999.93	65.35	1,878.03	17.53
	FIXED RATE	3.5000%	05/07/1984	05/20/2014	2,900.51	27.08	1,485.60	13.87
	FIXED RATE	3.5000%	05/30/1986	05/20/2016	142.80	1.33	87.05	0.81
	FIXED RATE	4.0000%	09/09/1983	09/20/2013	9,297.91	86.81	4,535.54	42.34
	FIXED RATE	4.0000%	09/25/1987	09/20/2017	40,400.00	377.17	26,237.93	244.96
	SPECIAL DRAWING RIGHT				35.17	52.07	32.39	47.94
	INTEREST FREE	0.7500%	05/08/1996	01/01/2036	10.15	15.03	9.85	14.58
	INTEREST FREE	1.0000%	06/04/1991	08/15/2025	11.18	16.55	9.16	13.56
	INTEREST FREE	1.0000%	05/08/1997	01/01/2031	13.84	20.49	13.38	19.81
	UNITED STATES DOLLAR				222.23	222.23	78.95	78.95
	ADB FLOATING RATE	0.0000%	06/04/1991	08/15/2014	6.00	6.00	1.94	1.94
	COST QUA. BOR. IBRD 6M	0.5000%	06/30/1987	06/01/2007	32.00	32.00	6.98	6.98
	COST QUA. BOR. IBRD 6M	0.5000%	04/10/1986	11/15/2006	38.00	38.00	5.77	5.77
	LIBOR 6 MONTHS DEPOSIT	0.5000%	09/09/1997	09/15/2017	2.30	2.30	1.87	1.87
	INTEREST FREE	1.0000%	04/03/1972	03/01/2022	10.02	10.02	5.56	5.56
	INTEREST FREE	1.0000%	06/27/1979	02/15/2029	19.22	19.22	14.70	14.70
	FIXED RATE	2.0000%	03/24/1975	03/24/2016	19.88	19.88	10.35	10.35
	FIXED RATE	2.0000%	08/06/1976	04/13/2017	14.95	14.95	8.21	8.21
	FIXED RATE	2.0000%	01/09/1988	06/30/2014	10.00	10.00	2.86	2.86
	FIXED RATE	2.0000%	08/06/1976	04/11/2017	19.93	19.93	11.14	11.14
	FIXED RATE	2.0000%	07/21/1989	07/21/2014	2.63	2.63	1.56	1.56
	FIXED RATE	3.0000%	10/07/1994	04/18/2011	6.00	6.00	1.37	1.37
	FIXED RATE	7.6000%	11/07/1979	10/01/2003	16.81	16.81	0.00	0.00
	FIXED RATE	10.1000%	12/04/1981	09/01/2006	24.50	24.50	6.65	6.65
	II. NG ASSUMED DEBT (REAL)				2,087.23	320.32		143.75
	AUSTRIAN SCHILLINGS				21.81	1.98	10.90	0.99
	AUSTRIAN STATUTORY EXPORT PROMO SCHEME	0.6000%	1992	2007	21.81	1.98	10.90	0.99
	BELGIAN FRANCS				50.00	1.55	23.75	0.74
	FREE	0.0000%	1986	2012	25.00	0.77	11.25	0.35
	FREE	0.0000%	1986	2013	25.00	0.77	12.50	0.39
	DEUTSCHEMARKS				0.29	0.19	0.15	0.09

EXTERNAL DEBT OF THE REPUBLIC OF THE PHILIPPINES⁽¹⁾ — (Continued)
AS OF DECEMBER 31, 2003
IN MILLIONS OF CURRENCY INDICATED

CURRENCY	INTEREST RATE BASIS	INTEREST RATE/ SPREAD/ SERVICE CHARGE (Per Annum)	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003	
					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
FRENCH FRANCS	FIXED RATE	8.6000%	1992	2007	0.29	0.19	0.15	0.09
					2.57	0.49	1.28	0.24
POUNDS STERLING	TAUX DU MARCHE OBLIGATAIRE	0.4000%	1991	2007	2.57	0.49	1.28	0.24
					0.17	0.30	0.09	0.15
JAPANESE YEN	LIBOR 6 MONTHS DEPOSIT	0.0000%	1992	2007	0.17	0.30	0.09	0.15
					1,712.56	15.99	856.28	7.99
UNITED STATES DOLLARS	FIXED RATE LONG TERM PRIME RATE	6.3000%	1993	2007	1,296.62	12.11	648.31	6.05
		0.1000%	1992	2007	415.94	3.88	207.97	1.94
					299.83	299.83	133.54	133.54
	FIXED RATE	3.0000%	1992	2007	0.23	0.23	0.20	0.20
	FIXED RATE	3.0000%	1992	2007	0.40	0.40	0.34	0.34
	FIXED RATE	3.0000%	1992	2007	0.25	0.25	0.21	0.21
	FIXED RATE	3.5000%	1992	2007	1.06	1.06	0.90	0.90
	FIXED RATE	3.5000%	1992	2007	0.60	0.60	0.51	0.51
	FIXED RATE	5.0000%	1981	2004	5.49	5.49	0.46	0.46
	FIXED RATE	5.0000%	1981	2006	5.49	5.49	1.37	1.37
	FIXED RATE	5.0000%	1981	2004	5.49	5.49	0.92	0.92
	LIBOR 6 MONTHS DEPOSIT	0.2000%	1992	2007	25.47	25.47	1.32	1.32
	LIBOR 6 MONTHS DEPOSIT	0.2000%	1992	2007	2.63	2.63	12.74	12.74
	LIBOR 6 MONTHS DEPOSIT	0.2000%	1992	2007	0.58	0.58	0.29	0.29
	LIBOR 6 MONTHS DEPOSIT	0.2500%	1990	2007	2.01	2.01	1.00	1.00
	LIBOR 6 MONTHS DEPOSIT	0.5000%	1991	2007	3.13	3.13	1.57	1.57
	LIBOR 6 MONTHS DEPOSIT	0.5000%	1991	2007	1.24	1.24	0.62	0.62
	LIBOR 6 MONTHS DEPOSIT	0.8125%	1986	2003	1.29	1.29	0.00	0.00
	LIBOR 6 MONTHS DEPOSIT	0.8125%	1986	2003	2.10	2.10	0.00	0.00
	LIBOR 6 MONTHS DEPOSIT	0.8125%	1986	2003	8.73	8.73	0.00	0.00
	LIBOR 6 MONTHS DEPOSIT	0.8125%	1986	2003	11.50	11.50	0.00	0.00
	NEW SHORT TERM EXIMBANK BORROWING	0.3750%	1991	2007	0.31	0.31	0.20	0.20
	NEW SHORT TERM EXIMBANK BORROWING	0.3750%	1991	2007	0.30	0.30	0.15	0.15
	NEW SHORT TERM EXIMBANK BORROWING	0.3750%	1991	2007	0.00	0.00	0.00	0.00
	NEW SHORT TERM EXIMBANK BORROWING	0.5000%	1992	2007	151.35	151.35	75.68	75.68
	NEW SHORT TERM EXIMBANK BORROWING	0.5000%	1992	2007	32.99	32.99	16.49	16.49
	NEW SHORT TERM EXIMBANK BORROWING	0.5000%	1992	2007	14.16	14.16	7.08	7.08
	NEW SHORT TERM EXIMBANK BORROWING	0.5000%	1992	2007	23.02	23.02	11.51	11.51
III. NG SECURITIZED LOANS						17,630.61		14,894.67
UNITED STATES DOLLARS					3,348.24	3,348.24	1,092.38	1,092.38
(Brady Bonds)								
OPTION I — IRB					757.38	757.38	203.68	203.68
SERIES A	STEP UP	4.00% - 7.50%	1992	2007	130.76	130.76	39.32	39.32
SERIES B	STEP UP	4.00% - 7.50%	1992	2008	626.62	626.62	164.36	164.36
OPTION II — PCIRB					1,894.09	1,894.09	582.68	582.68
SERIES A	STEP UP	4.25% - 7.50%	1992	2018	153.49	153.49	127.52	127.52
SERIES B	STEP UP	4.25% - 7.50%	1992	2017	1,740.60	1,740.60	455.16	455.16
OPTION III — DEBT CONVERSION BONDS					696.78	696.78	306.02	306.02
SERIES A	STEP UP	4.00% - 7.50%	1992	2010	5.31	5.31	2.63	2.63
SERIES B	STEP UP	4.00% - 7.50%	1992	2009	691.47	691.47	303.39	303.39
FIXED RATE BONDS	FIXED	8.7500%	1996	2016	690.00	690.00	690.00	690.00
JAPANESE YEN					136,600.00	1,275.30	106,600.00	995.22
	FIXED	1.8850%	2001	2011	50,000.00	466.80	50,000.00	466.80
	FIXED	3.2000%	2000	2005	35,000.00	326.76	35,000.00	326.76
	FIXED	4.3000%	2002	2011	21,600.00	201.66	21,600.00	201.66

EXTERNAL DEBT OF THE REPUBLIC OF THE PHILIPPINES⁽¹⁾ — (Continued)
AS OF DECEMBER 31, 2003
IN MILLIONS OF CURRENCY INDICATED

CURRENCY	INTEREST RATE BASIS	INTEREST RATE/ SPREAD/ SERVICE CHARGE (Per Annum)	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003	
					(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾	(IN ORIGINAL CURR.)	(IN US DOLLARS) ⁽²⁾
	FIXED	5.0000%	1996	2003	30,000.00	280.08	0.00	0.00
GLOBAL BONDS					10,256.29	10,256.29	10,056.29	10,056.29
	UNITED STATES DOLLARS				10,256.29	10,256.29	10,056.29	10,056.29
	FIXED	7.5000%	2002	2007	300.00	300.00	300.00	300.00
	FIXED	8.3750%	2002	2009	1,000.00	1,000.00	1,000.00	1,000.00
	FIXED	8.3750%	2002	2009	300.00	300.00	300.00	300.00
	FIXED	8.8750%	1998	2008	500.00	500.00	500.00	500.00
	FIXED	8.8750%	1998	2008	500.00	500.00	500.00	500.00
	FIXED	9.0000%	2002	2013	500.00	500.00	500.00	500.00
	FIXED	9.0000%	2002	2013	500.00	500.00	500.00	500.00
	FIXED	9.3750%	2002	2017	750.00	750.00	750.00	750.00
	FIXED	9.5000%	1999	2024	1,006.29	1,006.29	1,006.29	1,006.29
	FIXED	9.8750%	1999	2019	500.00	500.00	500.00	500.00
	FIXED	9.8750%	1999	2019	200.00	200.00	200.00	200.00
	FIXED	9.8750%	1999	2019	400.00	400.00	400.00	400.00
	FIXED	9.8750%	2000	2010	600.00	600.00	600.00	600.00
	FIXED	10.6250%	2000	2025	1,000.00	1,000.00	1,000.00	1,000.00
	FIXED	10.6250%	2000	2025	300.00	300.00	300.00	300.00
	LIBOR 6 MONTHS DEPOSIT	4.2000%	2000	2003	200.00	200.00	0.00	0.00
	LIBOR 6 MONTHS DEPOSIT	3.0500%	2001	2004	200.00	200.00	200.00	200.00
	FIXED	8.2500%	2003	2014	750.00	750.00	750.00	750.00
	FIXED	8.2500%	2003	2014	750.00	750.00	750.00	750.00
					1,150.00	1,435.78	1,150.00	1,435.78
EURO	FIXED	8.0000%	1999	2004	350.00	436.98	350.00	436.98
	FIXED	9.3750%	2001	2006	500.00	624.25	500.00	624.25
	FIXED	9.1250%	2003	2010	300.00	374.55	300.00	374.55
					625.00	625.00	625.00	625.00
TREASURY BILLS/ NOTES/BONDS	INTEREST FREE		2003	2004	200.00	200.00	200.00	200.00
	INTEREST FREE		2003	2005	175.00	175.00	175.00	175.00
	FIXED	5.6250%	2003	2006	250.00	250.00	250.00	250.00

(1) Excludes external debt guaranteed by the Republic

(2) Amounts in original currencies converted into US Dollars using Bangko Sentral reference rate prevailing on December 30, 2003

DOMESTIC GOVERNMENT SECURITIES⁽¹⁾
As of December 31, 2003
(In Millions of Pesos)

<u>INTEREST RATE BASIS</u>	<u>INTEREST RATE (PER ANNUM)</u>	<u>YEAR CONTRACTED</u>	<u>YEAR OF MATURITY</u>	<u>ORIGINAL AMOUNT</u>	<u>OUTSTANDING AS OF DECEMBER 31, 2003</u>
TOTAL (I + II)					<u>1,706,200.00</u>
I. ACTUAL OBLIGATIONS					<u>1,685,924.50</u>
A. TREASURY BILLS					<u>495,964.08</u>
ADAPS	Various		2003-2004		67,222.00
TAP	Various		2003-2004		1,050.00
GOCC Series	Various		2003-2004		218,318.08
LGUs	Various		2003-2004		319.90
TEIs	Various		2003-2004		34,485.80
CB-BOL	Floating Rate		2003-2004		174,568.30
B. TREASURY NOTES RA 245				<u>2,438.06</u>	<u>2,415.55</u>
Fixed Rate	3.500%	1984	2005	337.59	334.31
Fixed Rate	3.500%	1984	2005	153.43	153.43
Fixed Rate	3.500%	1984	2005	55.81	55.81
Fixed Rate	3.500%	1985	2005	145.99	145.99
Fixed Rate	3.500%	1985	2005	91.85	91.85
Fixed Rate	3.500%	1985	2005	8.92	8.92
Fixed Rate	3.500%	1985	2005	1.40	1.40
Fixed Rate	3.500%	1985	2005	51.65	42.88
Fixed Rate	3.500%	1985	2005	2.44	2.44
Fixed Rate	3.500%	1985	2006	4.44	4.44
Fixed Rate	3.500%	1985	2006	70.00	70.00
Fixed Rate	3.500%	1985	2006	37.86	37.86
Fixed Rate	3.500%	1985	2006	0.52	0.52
Fixed Rate	3.500%	1985	2006	1.57	1.57
Fixed Rate	3.500%	1985	2006	0.72	0.72
Fixed Rate	3.500%	1985	2006	2.26	2.26
Fixed Rate	3.500%	1985	2006	31.12	31.12
Fixed Rate	3.500%	1986	2006	39.93	39.93
Fixed Rate	3.500%	1986	2006	188.86	188.86
Fixed Rate	3.500%	1986	2006	126.90	126.90
Fixed Rate	3.500%	1986	2006	26.67	26.67
Fixed Rate	3.500%	1986	2006	200.84	200.84
Fixed Rate	3.500%	1986	2006	139.64	139.64
Fixed Rate	3.500%	1986	2006	13.47	3.01
Fixed Rate	3.500%	1986	2006	295.60	295.60
Fixed Rate	3.500%	1986	2006	26.68	26.68
Fixed Rate	3.500%	1986	2007	44.90	44.90
Fixed Rate	3.500%	1986	2007	1.04	1.04
Fixed Rate	3.500%	1986	2007	5.10	5.10
Fixed Rate	3.500%	1986	2007	20.91	20.91
Fixed Rate	3.500%	1986	2007	309.95	309.95
C. BONDS				<u>82,118.48</u>	<u>90,080.19</u>
Treasury Bonds				<u>7,161.02</u>	<u>4,686.11</u>
T/Bonds R.A. 245				<u>7,020.62</u>	<u>4,546.55</u>
Fixed Rate	3.250%	1980	2005	95.00	95.00
Fixed Rate	4.000%	1980	2005	2,100.00	1,099.98
Fixed Rate	4.000%	1981	2006	1,600.00	1,179.53
Fixed Rate	4.000%	1982	2007	2,700.00	1,746.22
Fixed Rate	4.000%	1983	2008	30.00	9.69
Fixed Rate	4.000%	1983	2004	6.89	0.26
Fixed Rate	4.000%	1983	2004	42.03	39.38
Fixed Rate	4.000%	1983	2008	50.00	3.95
Fixed Rate	4.000%	1983	2008	4.87	0.26

DOMESTIC GOVERNMENT SECURITIES⁽¹⁾ — (Continued)
As of December 31, 2003
(In Millions of Pesos)

<u>INTEREST RATE BASIS</u>	<u>INTEREST RATE (PER ANNUM)</u>	<u>YEAR CONTRACTED</u>	<u>YEAR OF MATURITY</u>	<u>ORIGINAL AMOUNT</u>	<u>OUTSTANDING AS OF DECEMBER 31, 2003</u>
Fixed Rate	4.000%	1983	2008	200.00	200.00
Fixed Rate	4.000%	1983	2008	50.00	50.00
Fixed Rate	4.000%	1983	2008	100.00	100.00
Fixed Rate	4.000%	1983	2008	6.83	6.83
Fixed Rate	4.000%	1983	2008	15.00	15.00
Fixed Rate	7.000%	1979	2004	20.00	0.45
T/Bonds PD No. 694				140.40	139.56
Fixed Rate	3.000%	1978	2008	100.00	100.00
Fixed Rate	3.000%	1979	2009	40.40	39.56
30 Yr FXTB				97.05	97.05
Fixed Rate	12.840%	1996	2025	97.05	97.05
Treasury Bonds (CB-BoL)				50,000.00	50,000.00
182-Day T-Bill Rate		1993	2018	50,000.00	50,000.00
12 Yr Peso Denominated T/Bonds				24,860.41	24,860.41
91-Day T-Bill Rate		1995	2007	3,226.41	3,226.41
91-Day T-Bill Rate		1995	2007	21,634.00	21,634.00
Agrarian Reform Bonds					10,436.62
91-Day T-Bill Rate					
D. FIXED RATE T/BONDS				985,089.02	985,089.02
2 Yr FXTB				90,386.03	90,386.03
ADAPS				40,655.00	40,655.00
Fixed Rate	9.500%	2002	2004	3,605.00	3,605.00
Fixed Rate	9.500%	2002	2004	4,000.00	4,000.00
Fixed Rate	8.875%	2002	2004	3,000.00	3,000.00
Fixed Rate	8.875%	2002	2004	9,000.00	9,000.00
Fixed Rate	8.875%	2002	2004	6,000.00	6,000.00
Fixed Rate	8.250%	2003	2005	6,050.00	6,050.00
Fixed Rate	8.625%	2003	2005	6,000.00	6,000.00
Fixed Rate	8.750%	2003	2005	3,000.00	3,000.00
TAP				1,400.00	1,400.00
Fixed Rate	8.875%	2002	2004	400.00	400.00
Fixed Rate	8.250%	2003	2005	1,000.00	1,000.00
GOCCs				34,832.93	34,832.93
Fixed Rate	9.500%	2002	2004	10,561.10	10,561.10
Fixed Rate	8.875%	2002	2004	2,278.30	2,278.30
Fixed Rate	8.875%	2002	2004	6,062.00	6,062.00
Fixed Rate	8.875%	2002	2004	7,373.10	7,373.10
Fixed Rate	8.250%	2003	2005	3,660.50	3,660.50
Fixed Rate	8.250%	2003	2005	3,211.20	3,211.20
Fixed Rate	8.625%	2003	2005	268.40	268.40
Fixed Rate	8.750%	2003	2005	1,418.33	1,418.33
TEIs				13,498.10	13,498.10
Fixed Rate	8.550%	2002	2004	771.00	771.00
Fixed Rate	9.500%	2002	2004	1,416.40	1,416.40
Fixed Rate	7.9875%	2002	2004	34.00	34.00
Fixed Rate	8.875%	2002	2004	211.20	211.20
Fixed Rate	8.875%	2002	2004	500.00	500.00
Fixed Rate	7.9875%	2002	2004	465.70	465.70
Fixed Rate	8.875%	2002	2004	4,659.00	4,659.00
Fixed Rate	7.9875%	2002	2004	604.60	604.60
Fixed Rate	8.2500%	2003	2005	360.10	360.10

DOMESTIC GOVERNMENT SECURITIES⁽¹⁾ — (Continued)
As of December 31, 2003
(In Millions of Pesos)

<u>INTEREST RATE BASIS</u>	<u>INTEREST RATE (PER ANNUM)</u>	<u>YEAR CONTRACTED</u>	<u>YEAR OF MATURITY</u>	<u>ORIGINAL AMOUNT</u>	<u>OUTSTANDING AS OF DECEMBER 31, 2003</u>
Fixed Rate	7.4250%	2003	2005	46.90	46.90
Fixed Rate	8.6250%	2003	2005	1,438.70	1,438.70
Fixed Rate	7.7625%	2003	2005	19.50	19.50
Fixed Rate	8.7500%	2003	2005	2,970.00	2,970.00
Fixed Rate	7.8750%	2003	2005	1.00	1.00
3 Yr FXTB				73,669.50	73,669.50
ADAPS				31,000.00	31,000.00
Fixed Rate	10.2500%	2002	2005	6,000.00	6,000.00
Fixed Rate	10.0000%	2002	2005	3,000.00	3,000.00
Fixed Rate	9.1250%	2002	2005	3,000.00	3,000.00
Fixed Rate	9.2500%	2003	2006	3,500.00	3,500.00
Fixed Rate	11.1250%	2003	2006	7,000.00	7,000.00
Fixed Rate	10.1250%	2003	2006	2,500.00	2,500.00
Fixed Rate	9.0000%	2003	2006	6,000.00	6,000.00
GOCCs				30,805.40	30,805.40
Fixed Rate	10.2500%	2002	2005	7,235.10	7,235.10
Fixed Rate	10.0000%	2002	2005	8,470.00	8,470.00
Fixed Rate	9.1250%	2002	2005	179.00	179.00
Fixed Rate	9.2500%	2003	2006	1,020.80	1,020.80
Fixed Rate	11.1250%	2003	2006	5,606.80	5,606.80
Fixed Rate	10.1250%	2003	2006	6,588.90	6,588.90
Fixed Rate	9.0000%	2003	2006	1,704.80	1,704.80
TEIs				11,864.10	11,864.10
Fixed Rate	10.2500%	2002	2005	5,608.40	5,608.40
Fixed Rate	9.2250%	2002	2005	589.90	589.90
Fixed Rate	10.0000%	2002	2005	400.00	400.00
Fixed Rate	9.0000%	2002	2005	432.70	432.70
Fixed Rate	9.1250%	2002	2005	1,123.70	1,123.70
Fixed Rate	8.2125%	2002	2005	37.70	37.70
Fixed Rate	8.3250%	2003	2006	3.00	3.00
Fixed Rate	11.1250%	2003	2006	3,000.00	3,000.00
Fixed Rate	10.0125%	2003	2006	50.20	50.20
Fixed Rate	10.1250%	2003	2006	485.50	485.50
Fixed Rate	9.1125%	2003	2006	133.00	133.00
4 Yr FXTB				48,048.12	48,048.12
ADAPS				22,023.00	22,023.00
Fixed Rate	10.3750%	2002	2006	6,000.00	6,000.00
Fixed Rate	10.3750%	2002	2006	4,585.00	4,585.00
Fixed Rate	10.5000%	2003	2007	1,938.00	1,938.00
Fixed Rate	10.6250%	2003	2007	3,500.00	3,500.00
Fixed Rate	10.0000%	2003	2007	3,000.00	3,000.00
Fixed Rate	10.1250%	2003	2007	3,000.00	3,000.00
TAP				2,000.00	2,000.00
Fixed Rate	10.6250%	2003	2007	2,000.00	2,000.00
GOCCs				19,423.12	19,423.12
Fixed Rate	10.3750%	2002	2006	2,086.90	2,086.90
Fixed Rate	10.3750%	2002	2006	377.10	377.10
Fixed Rate	10.5000%	2003	2007	328.00	328.00
Fixed Rate	10.6250%	2003	2007	8,785.80	8,785.80
Fixed Rate	10.0000%	2003	2007	1,592.60	1,592.60
Fixed Rate	10.1250%	2003	2007	6,252.72	6,252.72
TEIs				4,602.00	4,602.00
Fixed Rate	10.3750%	2002	2006	500.00	500.00

DOMESTIC GOVERNMENT SECURITIES⁽¹⁾ — (Continued)
As of December 31, 2003
(In Millions of Pesos)

<u>INTEREST RATE BASIS</u>	<u>INTEREST RATE (PER ANNUM)</u>	<u>YEAR CONTRACTED</u>	<u>YEAR OF MATURITY</u>	<u>ORIGINAL AMOUNT</u>	<u>OUTSTANDING AS OF DECEMBER 31, 2003</u>
Fixed Rate	9.3375%	2002	2006	141.10	141.10
Fixed Rate	10.3750%	2002	2006	1,000.00	1,000.00
Fixed Rate	9.3375%	2002	2006	16.20	16.20
Fixed Rate	10.5000%	2003	2007	500.00	500.00
Fixed Rate	9.4500%	2003	2007	27.00	27.00
Fixed Rate	10.6250%	2003	2007	500.00	500.00
Fixed Rate	9.5625%	2003	2007	95.00	95.00
Fixed Rate	10.0000%	2003	2007	1,500.00	1,500.00
Fixed Rate	9.1125%	2003	2007	322.70	322.70
5 Yr FXTB				<u>224,361.88</u>	<u>224,361.88</u>
ADAPS				<u>124,262.00</u>	<u>124,262.00</u>
Fixed Rate	14.000%	1999	2004	3,000.00	3,000.00
Fixed Rate	13.625%	1999	2004	1,730.00	1,730.00
Fixed Rate	14.250%	1999	2004	890.00	890.00
Fixed Rate	14.250%	1999	2004	2,000.00	2,000.00
Fixed Rate	14.125%	1999	2004	2,000.00	2,000.00
Fixed Rate	13.750%	2000	2005	3,000.00	3,000.00
Fixed Rate	13.500%	2000	2005	3,000.00	3,000.00
Fixed Rate	13.500%	2000	2005	3,000.00	3,000.00
Fixed Rate	12.750%	2000	2005	3,000.00	3,000.00
Fixed Rate	13.250%	2000	2005	1,610.00	1,610.00
Fixed Rate	13.000%	2000	2005	3,000.00	3,000.00
Fixed Rate	13.500%	2000	2005	1,230.00	1,230.00
Fixed Rate	13.875%	2000	2005	765.00	765.00
Fixed Rate	16.750%	2000	2005	1,349.00	1,349.00
Fixed Rate	15.875%	2001	2006	3,000.00	3,000.00
Fixed Rate	15.000%	2001	2006	2,961.00	2,961.00
Fixed Rate	14.500%	2001	2006	3,000.00	3,000.00
Fixed Rate	14.000%	2001	2006	1,000.00	1,000.00
Fixed Rate	15.250%	2001	2006	1,948.00	1,948.00
Fixed Rate	15.250%	2001	2006	2,000.00	2,000.00
Fixed Rate	15.500%	2001	2006	3,500.00	3,500.00
Fixed Rate	16.250%	2001	2006	905.00	905.00
Fixed Rate	14.125%	2001	2004	1,891.00	1,891.00
Fixed Rate	14.125%	2001	2004	2,000.00	2,000.00
Fixed Rate	14.250%	2001	2004	1,260.00	1,260.00
Fixed Rate	14.250%	2001	2004	2,000.00	2,000.00
Fixed Rate	13.750%	2001	2005	2,000.00	2,000.00
Fixed Rate	13.750%	2001	2005	2,000.00	2,000.00
Fixed Rate	13.875%	2001	2005	2,095.00	2,095.00
Fixed Rate	12.750%	2002	2005	4,000.00	4,000.00
Fixed Rate	13.875%	2002	2005	4,000.00	4,000.00
Fixed Rate	12.750%	2002	2005	4,000.00	4,000.00
Fixed Rate	13.500%	2002	2005	4,000.00	4,000.00
Fixed Rate	13.000%	2002	2005	3,000.00	3,000.00
Fixed Rate	13.000%	2002	2007	3,848.00	3,848.00
Fixed Rate	13.000%	2002	2007	1,025.00	1,025.00
Fixed Rate	13.000%	2002	2007	3,000.00	3,000.00
Fixed Rate	10.750%	2002	2007	2,935.00	2,935.00
Fixed Rate	10.750%	2002	2007	3,000.00	3,000.00
Fixed Rate	10.750%	2002	2007	3,000.00	3,000.00
Fixed Rate	11.000%	2002	2007	2,000.00	2,000.00
Fixed Rate	11.000%	2002	2007	1,000.00	1,000.00
Fixed Rate	11.000%	2002	2007	3,000.00	3,000.00

DOMESTIC GOVERNMENT SECURITIES⁽¹⁾ — (Continued)
As of December 31, 2003
(In Millions of Pesos)

<u>INTEREST RATE BASIS</u>	<u>INTEREST RATE (PER ANNUM)</u>	<u>YEAR CONTRACTED</u>	<u>YEAR OF MATURITY</u>	<u>ORIGINAL AMOUNT</u>	<u>OUTSTANDING AS OF DECEMBER 31, 2003</u>
Fixed Rate	14.000%	2002	2006	2,070.00	2,070.00
Fixed Rate	10.750%	2003	2008	6,750.00	6,750.00
Fixed Rate	11.625%	2003	2008	3,500.00	3,500.00
Fixed Rate	9.875%	2003	2008	3,000.00	3,000.00
Fixed Rate	10.250%	2003	2008	6,000.00	6,000.00
TAP				20,206.00	20,206.00
Fixed Rate	14.000%	1999	2004	1,050.00	1,050.00
Fixed Rate	14.125%	1999	2004	1,000.00	1,000.00
Fixed Rate	13.875%	2000	2005	3,300.00	3,300.00
Fixed Rate	16.750%	2000	2005	400.00	400.00
Fixed Rate	15.875%	2001	2006	1,000.00	1,000.00
Fixed Rate	15.000%	2001	2006	800.00	800.00
Fixed Rate	14.500%	2001	2006	3,950.00	3,950.00
Fixed Rate	14.000%	2001	2006	1,000.00	1,000.00
Fixed Rate	14.250%	2001	2004	2,706.00	2,706.00
Fixed Rate	14.250%	2001	2004	500.00	500.00
Fixed Rate	13.000%	2002	2005	1,500.00	1,500.00
Fixed Rate	11.625%	2003	2008	2,000.00	2,000.00
Fixed Rate	10.250%	2003	2008	1,000.00	1,000.00
GOCCs				56,887.48	56,887.48
Fixed Rate	14.000%	1999	2004	1,586.60	1,586.60
Fixed Rate	13.625%	1999	2004	45.80	45.80
Fixed Rate	14.250%	1999	2004	1,485.10	1,485.10
Fixed Rate	14.250%	1999	2004	938.70	938.70
Fixed Rate	14.125%	1999	2004	2,975.60	2,975.60
Fixed Rate	13.750%	2000	2005	2,227.40	2,227.40
Fixed Rate	13.500%	2000	2005	1.40	1.40
Fixed Rate	13.500%	2000	2005	1,563.10	1,563.10
Fixed Rate	12.750%	2000	2005	53.00	53.00
Fixed Rate	13.250%	2000	2005	118.40	118.40
Fixed Rate	13.000%	2000	2005	48.20	48.20
Fixed Rate	13.500%	2000	2005	2,998.40	2,998.40
Fixed Rate	13.875%	2000	2005	2,439.00	2,439.00
Fixed Rate	16.750%	2000	2005	1,825.90	1,825.90
Fixed Rate	15.875%	2001	2006	990.50	990.50
Fixed Rate	15.000%	2001	2006	587.20	587.20
Fixed Rate	14.500%	2001	2006	2,181.70	2,181.70
Fixed Rate	14.000%	2001	2006	463.20	463.20
Fixed Rate	15.250%	2001	2006	230.10	230.10
Fixed Rate	15.250%	2001	2006	2,457.90	2,457.90
Fixed Rate	14.125%	2001	2006	1,977.48	1,977.48
Fixed Rate	14.250%	2001	2004	454.30	454.30
Fixed Rate	15.500%	2001	2006	581.60	581.60
Fixed Rate	16.250%	2001	2006	2,269.10	2,269.10
Fixed Rate	13.750%	2001	2005	1,524.80	1,524.80
Fixed Rate	13.875%	2001	2005	2,037.90	2,037.90
Fixed Rate	12.750%	2002	2005	2,540.70	2,540.70
Fixed Rate	13.500%	2002	2005	5,140.10	5,140.10
Fixed Rate	13.000%	2002	2007	155.20	155.20
Fixed Rate	13.000%	2002	2007	4,911.50	4,911.50
Fixed Rate	11.000%	2002	2007	477.90	477.90
Fixed Rate	13.000%	2002	2005	2,146.30	2,146.30
Fixed Rate	14.000%	2002	2006	896.40	896.40
Fixed Rate	10.750%	2003	2008	6.70	6.70
Fixed Rate	11.625%	2003	2008	2,403.40	2,403.40

DOMESTIC GOVERNMENT SECURITIES⁽¹⁾ — (Continued)
As of December 31, 2003
(In Millions of Pesos)

<u>INTEREST RATE BASIS</u>	<u>INTEREST RATE (PER ANNUM)</u>	<u>YEAR CONTRACTED</u>	<u>YEAR OF MATURITY</u>	<u>ORIGINAL AMOUNT</u>	<u>OUTSTANDING AS OF DECEMBER 31, 2003</u>
Fixed Rate TEIs	10.250%	2003	2008	4,146.90	4,146.90
				23,006.40	23,006.40
Fixed Rate	14.0000%	1999	2004	500.00	500.00
Fixed Rate	12.6000%	1999	2004	211.90	211.90
Fixed Rate	12.8250%	1999	2004	1.00	1.00
Fixed Rate	12.8250%	1999	2004	10.00	10.00
Fixed Rate	13.7500%	2000	2005	100.00	100.00
Fixed Rate	13.5000%	2000	2005	200.00	200.00
Fixed Rate	12.1500%	2000	2005	10.00	10.00
Fixed Rate	12.1500%	2000	2005	30.00	30.00
Fixed Rate	12.7500%	2000	2005	200.00	200.00
Fixed Rate	13.5000%	2000	2005	100.00	100.00
Fixed Rate	12.1500%	2000	2005	30.00	30.00
Fixed Rate	13.8750%	2000	2005	200.00	200.00
Fixed Rate	12.4875%	2000	2005	18.00	18.00
Fixed Rate	15.0750%	2000	2005	223.40	223.40
Fixed Rate	16.7500%	2000	2005	500.00	500.00
Fixed Rate	14.2875%	2001	2006	24.60	24.60
Fixed Rate	15.8750%	2001	2006	200.00	200.00
Fixed Rate	15.0000%	2001	2006	200.00	200.00
Fixed Rate	13.5000%	2001	2006	45.00	45.00
Fixed Rate	14.5000%	2001	2006	600.00	600.00
Fixed Rate	13.0500%	2001	2006	150.70	150.70
Fixed Rate	12.6000%	2001	2006	19.50	19.50
Fixed Rate	15.2500%	2001	2006	800.00	800.00
Fixed Rate	13.7250%	2001	2006	100.40	100.40
Fixed Rate	13.7250%	2001	2006	194.10	194.10
Fixed Rate	15.2500%	2001	2006	200.00	200.00
Fixed Rate	15.5000%	2001	2006	400.00	400.00
Fixed Rate	13.9500%	2001	2006	75.80	75.80
Fixed Rate	16.2500%	2001	2006	500.00	500.00
Fixed Rate	14.6250%	2001	2006	203.60	203.60
Fixed Rate	14.1250%	2001	2004	468.00	468.00
Fixed Rate	12.7125%	2001	2004	19.50	19.50
Fixed Rate	14.2500%	2001	2004	200.00	200.00
Fixed Rate	12.8250%	2001	2004	94.10	94.10
Fixed Rate	14.2500%	2001	2004	200.00	200.00
Fixed Rate	13.7500%	2001	2005	200.00	200.00
Fixed Rate	12.3750%	2001	2005	246.90	246.90
Fixed Rate	12.4875%	2001	2005	41.70	41.70
Fixed Rate	13.8750%	2001	2005	200.00	200.00
Fixed Rate	12.375%	2001	2005	235.50	235.50
Fixed Rate	11.475%	2002	2005	248.00	248.00
Fixed Rate	12.4875%	2002	2005	400.00	400.00
Fixed Rate	12.150%	2002	2005	554.70	554.70
Fixed Rate	13.500%	2002	2005	518.40	518.40
Fixed Rate	11.700%	2002	2007	719.50	719.50
Fixed Rate	13.000%	2002	2007	200.00	200.00
Fixed Rate	11.700%	2002	2007	533.40	533.40
Fixed Rate	11.000%	2002	2007	2,309.20	2,309.20
Fixed Rate	9.900%	2002	2007	108.50	108.50
Fixed Rate	11.700%	2002	2005	318.40	318.40
Fixed Rate	13.000%	2002	2005	1,185.00	1,185.00
Fixed Rate	14.000%	2002	2006	1,370.30	1,370.30
Fixed Rate	10.750%	2003	2008	1,243.50	1,243.50

DOMESTIC GOVERNMENT SECURITIES⁽¹⁾ — (Continued)
As of December 31, 2003
(In Millions of Pesos)

<u>INTEREST RATE BASIS</u>	<u>INTEREST RATE (PER ANNUM)</u>	<u>YEAR CONTRACTED</u>	<u>YEAR OF MATURITY</u>	<u>ORIGINAL AMOUNT</u>	<u>OUTSTANDING AS OF DECEMBER 31, 2003</u>
Fixed Rate	9.675%	2003	2008	274.80	274.80
Fixed Rate	10.4625%	2003	2008	652.00	652.00
Fixed Rate	11.6250%	2003	2008	500.00	500.00
Fixed Rate	9.8750%	2003	2008	500.00	500.00
Fixed Rate	8.8875%	2003	2008	100.00	100.00
Fixed Rate	10.2500%	2003	2008	3,000.00	3,000.00
Fixed Rate	9.2250%	2003	2008	317.00	317.00
7 Yr FXTB				<u>121,622.50</u>	<u>121,622.50</u>
ADAPS				<u>62,914.00</u>	<u>62,914.00</u>
Fixed Rate	13.500%	1997	2004	3,340.00	3,340.00
Fixed Rate	20.875%	1997	2004	1,987.00	1,987.00
Fixed Rate	20.500%	1998	2005	1,887.00	1,887.00
Fixed Rate	20.000%	1998	2005	1,164.00	1,164.00
Fixed Rate	18.375%	1998	2005	2,500.00	2,500.00
Fixed Rate	16.500%	1999	2006	1,805.00	1,805.00
Fixed Rate	14.000%	1999	2006	750.00	750.00
Fixed Rate	14.000%	1999	2006	21.00	21.00
Fixed Rate	15.000%	1999	2006	2,000.00	2,000.00
Fixed Rate	14.750%	1999	2006	2,000.00	2,000.00
Fixed Rate	14.625%	1999	2006	2,000.00	2,000.00
Fixed Rate	14.500%	1999	2006	2,000.00	2,000.00
Fixed Rate	14.500%	2000	2007	2,775.00	2,775.00
Fixed Rate	14.250%	2000	2007	3,000.00	3,000.00
Fixed Rate	14.000%	2000	2007	3,000.00	3,000.00
Fixed Rate	13.375%	2000	2007	3,000.00	3,000.00
Fixed Rate	13.875%	2000	2007	1,250.00	1,250.00
Fixed Rate	13.500%	2000	2007	3,000.00	3,000.00
Fixed Rate	14.000%	2000	2007	1,165.00	1,165.00
Fixed Rate	14.250%	2000	2007	1,640.00	1,640.00
Fixed Rate	14.250%	2000	2007	2,116.00	2,116.00
Fixed Rate	14.500%	2000	2007	1,020.00	1,020.00
Fixed Rate	17.250%	2000	2007	1,039.00	1,039.00
Fixed Rate	16.000%	2001	2008	3,000.00	3,000.00
Fixed Rate	15.625%	2001	2008	3,000.00	3,000.00
Fixed Rate	13.500%	2001	2004	2,000.00	2,000.00
Fixed Rate	13.500%	2001	2004	1,000.00	1,000.00
Fixed Rate	15.000%	2001	2006	2,000.00	2,000.00
Fixed Rate	14.000%	2002	2006	455.00	455.00
Fixed Rate	11.875%	2003	2010	7,000.00	7,000.00
TAP				<u>13,680.00</u>	<u>13,680.00</u>
Fixed Rate	13.500%	1997	2004	3,180.00	3,180.00
Fixed Rate	20.500%	1998	2005	1,200.00	1,200.00
Fixed Rate	18.375%	1998	2005	2,100.00	2,100.00
Fixed Rate	16.000%	2001	2008	2,200.00	2,200.00
Fixed Rate	15.625%	2001	2008	2,000.00	2,000.00
Fixed Rate	11.875%	2003	2010	3,000.00	3,000.00
GOCCs				<u>30,172.70</u>	<u>30,172.70</u>
Fixed Rate	20.875%	1997	2004	65.00	65.00
Fixed Rate	16.500%	1999	2006	1,446.70	1,446.70
Fixed Rate	15.000%	1999	2006	13.20	13.20
Fixed Rate	14.750%	1999	2006	1.00	1.00
Fixed Rate	14.625%	1999	2006	1,958.80	1,958.80
Fixed Rate	14.500%	1999	2006	867.70	867.70
Fixed Rate	14.500%	2000	2007	3,091.00	3,091.00

DOMESTIC GOVERNMENT SECURITIES⁽¹⁾ — (Continued)
As of December 31, 2003
(In Millions of Pesos)

<u>INTEREST RATE BASIS</u>	<u>INTEREST RATE (PER ANNUM)</u>	<u>YEAR CONTRACTED</u>	<u>YEAR OF MATURITY</u>	<u>ORIGINAL AMOUNT</u>	<u>OUTSTANDING AS OF DECEMBER 31, 2003</u>
Fixed Rate	14.250%	2000	2007	379.40	379.40
Fixed Rate	14.000%	2000	2007	552.70	552.70
Fixed Rate	13.875%	2000	2007	1,047.60	1,047.60
Fixed Rate	13.500%	2000	2007	10.60	10.60
Fixed Rate	14.000%	2000	2007	37.00	37.00
Fixed Rate	14.250%	2000	2007	10.50	10.50
Fixed Rate	14.250%	2000	2007	99.90	99.90
Fixed Rate	14.500%	2000	2007	573.20	573.20
Fixed Rate	17.250%	2000	2007	3,043.70	3,043.70
Fixed Rate	16.000%	2001	2008	2,514.30	2,514.30
Fixed Rate	15.625%	2001	2008	8,319.10	8,319.10
Fixed Rate	16.000%	2001	2008	509.00	509.00
Fixed Rate	13.500%	2001	2004	403.10	403.10
Fixed Rate	15.000%	2001	2006	1,953.40	1,953.40
Fixed Rate	14.000%	2002	2006	2,210.20	2,210.20
Fixed Rate	11.875%	2003	2010	1,065.60	1,065.60
TEIs				14,855.80	14,855.80
Fixed Rate	12.150%	1997	2004	100.00	100.00
Fixed Rate	18.7875%	1997	2004	2,800.00	2,800.00
Fixed Rate	18.000%	1998	2005	200.00	200.00
Fixed Rate	16.5375%	1998	2005	50.00	50.00
Fixed Rate	14.850%	1999	2006	116.10	116.10
Fixed Rate	12.600%	1999	2006	1.20	1.20
Fixed Rate	14.000%	1999	2006	500.00	500.00
Fixed Rate	13.500%	1999	2006	158.00	158.00
Fixed Rate	15.000%	1999	2006	200.00	200.00
Fixed Rate	14.625%	1999	2006	200.00	200.00
Fixed Rate	13.1625%	1999	2006	2.30	2.30
Fixed Rate	13.050%	1999	2006	8.00	8.00
Fixed Rate	14.500%	2000	2007	200.00	200.00
Fixed Rate	13.050%	2000	2007	7.00	7.00
Fixed Rate	14.250%	2000	2007	200.00	200.00
Fixed Rate	12.825%	2000	2007	15.00	15.00
Fixed Rate	14.000%	2000	2007	200.00	200.00
Fixed Rate	13.375%	2000	2007	500.00	500.00
Fixed Rate	13.875%	2000	2007	500.00	500.00
Fixed Rate	13.500%	2000	2007	300.00	300.00
Fixed Rate	14.500%	2000	2007	200.00	200.00
Fixed Rate	17.250%	2000	2007	200.00	200.00
Fixed Rate	15.525%	2000	2007	75.10	75.10
Fixed Rate	14.4000%	2001	2008	435.30	435.30
Fixed Rate	16.000%	2001	2008	1,209.50	1,209.50
Fixed Rate	15.625%	2001	2008	823.10	823.10
Fixed Rate	14.0625%	2001	2008	1,121.60	1,121.60
Fixed Rate	12.150%	2001	2004	142.30	142.30
Fixed Rate	13.500%	2001	2004	900.00	900.00
Fixed Rate	12.150%	2001	2004	137.80	137.80
Fixed Rate	15.000%	2001	2006	200.00	200.00
Fixed Rate	13.500%	2001	2006	911.80	911.80
Fixed Rate	12.600%	2002	2006	149.30	149.30
Fixed Rate	14.000%	2002	2006	500.00	500.00
Fixed Rate	10.6875%	2003	2010	1,592.40	1,592.40
10 Yr FXTB				128,342.45	128,342.45
ADAPS				78,646.00	78,646.00

DOMESTIC GOVERNMENT SECURITIES⁽¹⁾ — (Continued)
As of December 31, 2003
(In Millions of Pesos)

<u>INTEREST RATE BASIS</u>	<u>INTEREST RATE (PER ANNUM)</u>	<u>YEAR CONTRACTED</u>	<u>YEAR OF MATURITY</u>	<u>ORIGINAL AMOUNT</u>	<u>OUTSTANDING AS OF DECEMBER 31, 2003</u>
Fixed Rate	16.000%	1996	2006	2,000.00	2,000.00
Fixed Rate	14.125%	1997	2007	5,000.00	5,000.00
Fixed Rate	13.875%	1997	2007	3,500.00	3,500.00
Fixed Rate	22.875%	1997	2007	1,759.00	1,759.00
Fixed Rate	19.000%	1998	2008	2,000.00	2,000.00
Fixed Rate	20.000%	1998	2008	446.00	446.00
Fixed Rate	18.000%	1998	2008	3,000.00	3,000.00
Fixed Rate	16.500%	1999	2009	3,000.00	3,000.00
Fixed Rate	14.625%	1999	2009	1,550.00	1,550.00
Fixed Rate	15.000%	1999	2009	1,578.00	1,578.00
Fixed Rate	15.500%	1999	2009	2,000.00	2,000.00
Fixed Rate	15.125%	1999	2009	2,000.00	2,000.00
Fixed Rate	15.000%	1999	2009	2,000.00	2,000.00
Fixed Rate	14.875%	1999	2009	2,000.00	2,000.00
Fixed Rate	14.750%	2000	2010	3,000.00	3,000.00
Fixed Rate	14.625%	2000	2010	3,000.00	3,000.00
Fixed Rate	13.875%	2000	2010	3,000.00	3,000.00
Fixed Rate	13.875%	2000	2010	2,563.00	2,563.00
Fixed Rate	14.250%	2000	2010	1,430.00	1,430.00
Fixed Rate	14.125%	2000	2010	3,000.00	3,000.00
Fixed Rate	14.500%	2000	2010	2,918.00	2,918.00
Fixed Rate	14.625%	2000	2010	1,825.00	1,825.00
Fixed Rate	14.625%	2000	2010	3,000.00	3,000.00
Fixed Rate	17.500%	2000	2010	1,750.00	1,750.00
Fixed Rate	17.500%	2001	2011	2,195.00	2,195.00
Fixed Rate	16.500%	2001	2011	2,893.00	2,893.00
Fixed Rate	13.000%	2002	2012	3,000.00	3,000.00
Fixed Rate	13.000%	2002	2012	2,000.00	2,000.00
Fixed Rate	12.125%	2002	2012	2,000.00	2,000.00
Fixed Rate	12.750%	2003	2013	1,689.00	1,689.00
Fixed Rate	11.750%	2003	2013	4,550.00	4,550.00
Fixed Rate	11.000%	2003	2013	3,000.00	3,000.00
TAP				18,390.00	18,390.00
Fixed Rate	16.000%	1996	2006	500.00	500.00
Fixed Rate	21.000%	1997	2007	40.00	40.00
Fixed Rate	19.000%	1998	2008	3,800.00	3,800.00
Fixed Rate	17.800%	1998	2008	1,000.00	1,000.00
Fixed Rate	18.000%	1998	2008	1,100.00	1,100.00
Fixed Rate	16.500%	1999	2009	2,150.00	2,150.00
Fixed Rate	14.625%	1999	2009	400.00	400.00
Fixed Rate	15.500%	1999	2009	1,650.00	1,650.00
Fixed Rate	15.000%	1999	2009	600.00	600.00
Fixed Rate	14.750%	2000	2010	500.00	500.00
Fixed Rate	14.625%	2000	2010	1,450.00	1,450.00
Fixed Rate	17.500%	2000	2010	1,200.00	1,200.00
Fixed Rate	17.500%	2001	2011	1,000.00	1,000.00
Fixed Rate	13.000%	2002	2012	3,000.00	3,000.00
GOCCs				16,245.45	17,245.45
Fixed Rate	16.000%	1996	2006	1,792.64	1,792.64
Fixed Rate	14.400%	1996	2006	0.00	1,000.00
Fixed Rate	12.840%	1997	2007	4.71	4.71
Fixed Rate	14.125%	1997	2007	30.20	30.20
Fixed Rate	22.875%	1997	2007	1,784.80	1,784.80
Fixed Rate	20.000%	1998	2008	163.00	163.00
Fixed Rate	18.000%	1998	2008	1,387.50	1,387.50

DOMESTIC GOVERNMENT SECURITIES⁽¹⁾ — (Continued)
As of December 31, 2003
(In Millions of Pesos)

<u>INTEREST RATE BASIS</u>	<u>INTEREST RATE (PER ANNUM)</u>	<u>YEAR CONTRACTED</u>	<u>YEAR OF MATURITY</u>	<u>ORIGINAL AMOUNT</u>	<u>OUTSTANDING AS OF DECEMBER 31, 2003</u>
Fixed Rate	16.500%	1999	2009	183.10	183.10
Fixed Rate	15.500%	1999	2009	189.80	189.80
Fixed Rate	15.125%	1999	2009	3,302.50	3,302.50
Fixed Rate	15.000%	1999	2009	4,909.10	4,909.10
Fixed Rate	14.875%	1999	2009	162.70	162.70
Fixed Rate	14.750%	2000	2010	756.10	756.10
Fixed Rate	14.625%	2000	2010	231.40	231.40
Fixed Rate	13.875%	2000	2010	181.50	181.50
Fixed Rate	13.875%	2000	2010	94.20	94.20
Fixed Rate	14.250%	2000	2010	4.90	4.90
Fixed Rate	14.125%	2000	2010	355.50	355.50
Fixed Rate	14.500%	2000	2010	48.10	48.10
Fixed Rate	14.625%	2000	2010	5.50	5.50
Fixed Rate	14.625%	2000	2010	197.40	197.40
Fixed Rate	17.500%	2000	2010	1.10	1.10
Fixed Rate	17.500%	2001	2011	45.30	45.30
Fixed Rate	16.500%	2001	2011	301.70	301.70
Fixed Rate	13.000%	2002	2012	31.00	31.00
Fixed Rate	12.750%	2003	2013	26.10	26.10
Fixed Rate	11.750%	2003	2013	5.30	5.30
Fixed Rate	11.000%	2003	2013	50.30	50.30
TEIs				15,061.00	14,061.00
Fixed Rate	14.4000%	1996	2006	5,801.50	4,801.50
Fixed Rate	20.5875%	1997	2007	3,900.00	3,900.00
Fixed Rate	18.0000%	1998	2008	200.00	200.00
Fixed Rate	16.200%	1998	2008	58.50	58.50
Fixed Rate	16.500%	1999	2009	500.00	500.00
Fixed Rate	15.000%	1998	2008	100.00	100.00
Fixed Rate	15.500%	1998	2008	100.00	100.00
Fixed Rate	15.000%	1998	2008	200.00	200.00
Fixed Rate	14.625%	2000	2010	200.00	200.00
Fixed Rate	14.250%	2000	2010	200.00	200.00
Fixed Rate	14.125%	2000	2010	200.00	200.00
Fixed Rate	14.625%	2000	2010	200.00	200.00
Fixed Rate	17.500%	2000	2010	200.00	200.00
Fixed Rate	17.500%	2001	2011	744.70	744.70
Fixed Rate	15.750%	2001	2011	4.50	4.50
Fixed Rate	16.500%	2001	2011	700.00	700.00
Fixed Rate	14.800%	2001	2011	300.40	300.40
Fixed Rate	11.700%	2002	2012	181.70	181.70
Fixed Rate	11.700%	2002	2012	17.40	17.40
Fixed Rate	12.750%	2003	2013	500.00	500.00
Fixed Rate	11.475%	2003	2013	564.40	564.40
Fixed Rate	10.575%	2003	2013	177.60	177.60
Fixed Rate	09.900%	2003	2013	10.30	10.30
20 Yr FXTB				36,254.01	36,254.01
ADAPS				21,472.00	21,472.00
Fixed Rate	14.375%	1997	2017	2,000.00	2,000.00
Fixed Rate	15.000%	2002	2022	4,000.00	4,000.00
Fixed Rate	12.750%	2002	2022	1,000.00	1,000.00
Fixed Rate	13.000%	2003	2023	4,500.00	4,500.00
Fixed Rate	11.875%	2003	2023	6,972.00	6,972.00
Fixed Rate	11.375%	2003	2023	3,000.00	3,000.00
TAP				6,374.90	6,374.90

DOMESTIC GOVERNMENT SECURITIES⁽¹⁾ — (Continued)
As of December 31, 2003
(In Millions of Pesos)

<u>INTEREST RATE BASIS</u>	<u>INTEREST RATE (PER ANNUM)</u>	<u>YEAR CONTRACTED</u>	<u>YEAR OF MATURITY</u>	<u>ORIGINAL AMOUNT</u>	<u>OUTSTANDING AS OF DECEMBER 31, 2003</u>
Fixed Rate	14.375%	1997	2017	3,804.90	3,804.90
Fixed Rate	13.000%	2003	2023	1,900.00	1,900.00
Fixed Rate	11.375%	2003	2023	670.00	670.00
GOCCs				7,185.11	7,185.11
Fixed Rate	14.375%	1997	2017	4,020.10	4,020.10
Fixed Rate	12.840%	1998	2018	9.97	9.97
Fixed Rate	12.840%	1998	2018	0.48	0.48
Fixed Rate	12.840%	1999	2019	4.97	4.97
Fixed Rate	12.840%	1999	2019	0.48	0.48
Fixed Rate	12.840%	1999	2019	0.05	0.05
Fixed Rate	12.840%	1999	2019	1.02	1.02
Fixed Rate	12.840%	2000	2020	2.20	2.20
Fixed Rate	12.840%	2001	2021	2.42	2.42
Fixed Rate	12.840%	2002	2022	2.67	2.67
Fixed Rate	15.000%	2002	2022	3,116.10	3,116.10
Fixed Rate	12.840%	2003	2023	2.95	2.95
Fixed Rate	13.000%	2003	2023	5.40	5.40
Fixed Rate	11.875%	2003	2023	14.50	14.50
Fixed Rate	11.375%	2003	2023	1.80	1.80
TEI				1,222.00	1,222.00
Fixed Rate	13.500%	2002	2022	35.00	35.00
Fixed Rate	13.000%	2003	2023	900.00	900.00
Fixed Rate	11.700%	2003	2023	287.00	287.00
25 Yr FXTB				8,202.10	8,202.10
ADAPS				5,286.00	5,286.00
Fixed Rate	18.250%	2000	2025	5,286.00	5,286.00
TAP				2,320.00	2,320.00
Fixed Rate	18.250%	2000	2025	2,320.00	2,320.00
GOCCs				96.10	96.10
Fixed Rate	18.250%	2000	2025	96.10	96.10
TEIs				500.00	500.00
Fixed Rate	18.250%	2000	2025	500.00	500.00
Retail Treasury Bonds				206,784.59	206,784.59
3 Yr Retail T/Bonds				91,494.73	91,494.73
Fixed Rate	10.750%	2002	2005	23,259.75	23,259.75
Fixed Rate	09.500%	2003	2006	36,686.70	36,686.70
Fixed Rate	10.000%	2003	2006	31,548.29	31,548.29
4 Yr Retail T/Bonds				37,993.16	37,993.16
Fixed Rate	14.250%	2001	2005	15,635.38	15,635.38
Fixed Rate	14.250%	2001	2005	22,357.78	22,357.78
5 Yr Retail T/Bonds				77,296.70	77,296.70
Fixed Rate	12.375%	2002	2007	39,670.53	39,670.53
Fixed Rate	10.375%	2003	2008	37,626.18	37,626.18
Small Denominated T/Bonds				30,260.24	30,260.24
Fixed Rate	13.6250%	1999	2004	30,260.24	30,260.24
Progress Bonds				8,000.00	8,000.00
Fixed Rate	13.875%	2000	2005	8,000.00	8,000.00
10 Yr Special Purpose T/Bonds for CARP				9,157.62	9,157.62
ADAPS				5,988.00	5,988.00
Fixed Rate	15.500%	2001	2011	3,173.00	3,173.00
Fixed Rate	14.000%	2002	2012	2,815.00	2,815.00

DOMESTIC GOVERNMENT SECURITIES⁽¹⁾ — (Continued)
As of December 31, 2003
(In Millions of Pesos)

<u>INTEREST RATE BASIS</u>	<u>INTEREST RATE (PER ANNUM)</u>	<u>YEAR CONTRACTED</u>	<u>YEAR OF MATURITY</u>	<u>ORIGINAL AMOUNT</u>	<u>OUTSTANDING AS OF DECEMBER 31, 2003</u>
TAP				2,769.62	2,769.62
Fixed Rate	15.500%	2001	2011	2,769.62	2,769.62
TEIs				400.00	400.00
Fixed Rate	15.500%	2001	2011	400.00	400.00
E. ZERO COUPON BOND				40,645.90	40,645.90
7 Yr		2003	2010	5,645.90	5,645.90
10 Yr Peace Bond		2001	2011	35,000.00	35,000.00
F. FIXED RATE NOTES (US\$/Php Currency Swap)				11,810.00	11,810.00
3 Yr				6,330.00	6,330.00
Fixed Rate	14.000%	2001	2004	6,330.00	6,330.00
5 Yr				5,480.00	5,480.00
Fixed Rate	14.250%	2001	2006	5,480.00	5,480.00
G. US DOLLAR Linked Php Peso Notes (DLPNs) (2)				13,500.00	14,112.91
3 Yr				13,500.00	14,112.91
Fixed Rate	10.4375%	2001	2004	3,500.00	3,735.28
Fixed Rate	7.5625%	2002	2005	5,000.00	5,174.57
Fixed Rate	7.3750%	2003	2006	5,000.00	5,203.06
H. FIXED RATE PROMISSORY NOTES				45,590.00	45,590.00
3 Yr				8,230.00	8,230.00
Fixed Rate	8.125%	2002	2005	6,230.00	6,230.00
Fixed Rate	10.250%	2003	2006	2,000.00	2,000.00
5 Yr				30,660.00	30,660.00
Fixed Rate	9.625%	2002	2007	5,290.00	5,290.00
Fixed Rate	11.375%	2003	2008	3,750.00	3,750.00
Fixed Rate	10.125%	2003	2008	8,250.00	8,250.00
Fixed Rate	9.750%	2003	2008	13,370.00	13,370.00
7 Yr				6,700.00	6,700.00
Fixed Rate	10.250%	2003	2010	6,700.00	6,700.00
I. FIXED TERM DEPOSIT	Various	2002	2004	216.86	216.86
II. CONTINGENT OBLIGATIONS				19,740.00	20,275.54
A. Land Bank Bonds					535.54
Fixed Rate	6.000%				535.54
B. NDC Agri-Agra (ERAP Bonds)				7,000.00	7,000.00
Fixed Rate	7.875%	1999	2004	5,000.00	5,000.00
Fixed Rate	6.875%	2002	2009	2,000.00	2,000.00
C. PAG-IBIG Housing Bonds				4,000.00	4,000.00
Fixed Rate	8.250%	2000	2005	4,000.00	4,000.00
D. HGC ZERO COUPON BOND				7,000.00	7,000.00
ADAPs		2002	2007	5,000.00	5,000.00
TAP		2002	2007	2,000.00	2,000.00
E. TXTER INVST. CERT. (LBPT)				1,740.00	1,740.00
		2003	2005	1,740.00	1,740.00

(1) Excludes external securities of the Republic.

(2) Amounts in original currencies converted into US Dollars using Bangko Sentral reference rate prevailing on December 31, 2003.

DOMESTIC DEBT OF THE REPUBLIC (OTHER THAN SECURITIES)⁽¹⁾
AS OF DECEMBER 31, 2003
In Millions

INTEREST RATE BASIS	INTEREST RATE SPREAD	YEAR CONTRACTED	YEAR OF MATURITY	CURR.	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF 31 DECEMBER, 2003	
					IN ORIGINAL CURR.	IN PHILIPPINE PESO ⁽²⁾	IN ORIGINAL CURR.	IN PHILIPPINE PESO ⁽²⁾
TOTAL						2,297		17,856
DIRECT LOANS						0		15,560
AGENCIES						0	15,560	15,560
PHILIPPINE PESOS						0	15,560	15,560
INTEREST FREE	0.0000%	1953		PHP			79	79
INTEREST FREE	0.0000%	1953		PHP			48	48
INTEREST FREE	0.0000%	1953		PHP			29	29
INTEREST FREE	0.0000%	1953		PHP			6,821	6,821
INTEREST FREE	0.0000%	1945		PHP			6,599	6,599
INTEREST FREE	0.0000%	1945		PHP			1,675	1,675
INTEREST FREE	0.0000%	1945		PHP			21	21
INTEREST FREE	0.0000%	1960		PHP			177	177
INTEREST FREE	0.0000%	1985		PHP			67	67
INTEREST FREE	0.0000%	1993		PHP			29	29
INTEREST FREE	0.0000%	1989		PHP			15	15
ASSUMED LOANS (REAL)					2,297	2,297	2,297	2,297
PHILIPPINE PESOS					2,297	2,297	2,297	2,297
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	63	63	63	63
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	134	134	134	134
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	120	120	120	120
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	72	72	72	72
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	50	50	50	50
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	200	200	200	200
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	1	1	1	1
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	66	66	66	66
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	3	3	3	3
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	3	3	3	3
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	4	4	4	4
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	8	8	8	8
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	1	1	1	1
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	1	1	1	1
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	9	9	9	9
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	84	84	84	84
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	3	3	3	3
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	6	6	6	6
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	1	1	1	1
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	261	261	261	261
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	913	913	913	913
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	6	6	6	6
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	54	54	54	54
INTEREST FREE	0.0000%	1986	Upon Demand	PHP	229	229	229	229
91 DAY T-BILL	0.0000%	1986	2007	PHP	6	6	6	6

(1) Excludes government securities and debt guaranteed by the Republic

(2) Amount in original currencies were converted to Pesos using reference rate prevailing on December 31, 2003

**GUARANTEED DOMESTIC DEBT OF THE REPUBLIC (OTHER THAN SECURITIES)⁽¹⁾
AS OF DECEMBER 31, 2003
In Millions**

	INTEREST RATE BASIS	INTEREST RATE SPREAD	YEAR CONTRACTED	YEAR OF MATURITY	ORIGINAL AMOUNT CONTRACTED		OUTSTANDING BALANCE AS OF DECEMBER 31, 2003	
					IN ORIGINAL CURR.	IN PHILIPPINE PESO ⁽²⁾	IN ORIGINAL CURR.	IN PHILIPPINE PESO ⁽²⁾
TOTAL						2,456		2,359
A. NATIONAL GOVERNMENT DIRECT GUARANTEE						2,176	39	2,176
US DOLLARS	LIBOR 6 MOS	0.8125%	1986	2007	39	2,176	39	2,176
B. GFI GUARANTEE ASSUMED BY THE GOVERNMENT PER PROC. 50.					280	280	183	183
PHILIPPINE PESOS								
	INTEREST FREE	0.0000%	1986	Upon Demand	7	7	7	7
	INTEREST FREE	0.0000%	1986	Upon Demand	30	30	30	30
	91 DAY T/BILL	0.0000%	1986	2007	12	12	12	12
	92 DAY T/BILL	0.0000%	1986	2007	17	17	17	17
	93 DAY T/BILL	0.0000%	1986	2007	35	35	15	15
	94 DAY T/BILL	0.0000%	1986	2007	7	7	7	7
	95 DAY T/BILL	0.0000%	1986	2007	6	6	6	6
	96 DAY T/BILL	0.0000%	1986	2007	5	5	5	5
	97 DAY T/BILL	0.0000%	1986	2007	3	3	3	3
	98 DAY T/BILL	0.0000%	1986	2007	1	1	1	1
	99 DAY T/BILL	0.0000%	1986	2007	18	18	5	5
	100 DAY T/BILL	0.0000%	1986	2007	19	19	19	19
	101 DAY T/BILL	0.0000%	1986	2007	32	32	1	1
	102 DAY T/BILL	0.0000%	1986	2007	32	32	5	5
	103 DAY T/BILL	0.0000%	1986	2007	8	8	3	3
	104 DAY T/BILL	0.0000%	1986	2007	42	42	42	42
	105 DAY T/BILL	0.0000%	1986	2007	4	4	4	4

(1) Excludes securities issued by GOCCs

(2) FX rate used: BSP reference rate prevailing on 31 December, 2003

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