



Funding the Republic

REPUBLIKA NG PILIPINAS
KAGAWARAN NG PANANALAPI
KAWANIHAN NG INGAT-YAMAN
(BUREAU OF THE TREASURY)
INTRAMUROS, MANILA 1002

PRESS RELEASE

**SUCCESSFUL ISSUANCE OF 25-YEAR ROP BONDS
UNDERScores INVESTOR CONFIDENCE IN DUTERTE
LEADERSHIP**

20 January 2017, Manila, Philippines – The highly successful outcome of the Philippines' \$2 billion global bond sale this week underscores the continuing investor confidence in the leadership of President Duterte and his resolve to carry out sweeping reforms to realize his administration's agenda for high and inclusive growth.

Finance Secretary Carlos Dominguez III said the tight spread achieved in this latest international bond transaction, in which the Philippines sold \$2 billion worth of 25-year ROP bonds at a record-low yield of 3.7 percent, "indicates the market's very positive perception of the country's strong leadership and its economic performance and prospects, which is way ahead of the official risk ratings assigned to the Philippines by credit rating agencies."

"I look at these results as a manifestation of the confidence of global investors in the leadership of the new administration, which has committed to pursue sound economic management and reforms to improve economic competitiveness, productivity and living standards as well as drastically reduce poverty," he said.

Dominguez issued the statement following the Philippines' successful issuance last Thursday of the 25-year ROP bonds, which was oversubscribed and whose pricing achieved a historical record.

ROP bonds are bonds issued by the government in foreign currencies.

"I am very pleased with the highly successful outcome of the international ROP bonds offering launched yesterday, the first under the Duterte administration. It was very well received by the international capital markets and generated a new record for the Republic," Dominguez said on Friday.

Against the US Treasury benchmark, the spread of the bonds is the tightest for a 25-year ROP and the coupon of 3.7 percent was equal to a similar issue last year, already the tightest achieved for the same tenor.

"We accepted the \$2 billion for new cash and bonds switch in accordance with our international capital fund raising program for 2017," the finance chief said.

"With this transaction, the Republic has extended its excellent track record in executing liability management transactions," Dominguez said.

National Treasurer Roberto Tan said, "Amid the volatility in global markets, we have managed to garner robust support from the fixed income investor community, a testament to the resilience of the Philippine economy as well as the strong faith that these investors have in the Duterte administration in executing and implementing reforms and strategies."

"Once again, the liability management exercise has allowed the Republic to achieve significant cost savings that can be channeled towards productive areas that will benefit the country," Tan said.

The successful return of the Philippine government to the international capital markets was in conjunction with a one-day Accelerated Switch Tender Offer for 14 series of USD bonds maturing between 2019 and 2037 amounting to \$19 billion in total notional value.

Order books for the new 25-year global bond offering were approximately \$4.5 billion. By geographical allocation, 33 percent came from Asia, 24 percent from the U.S. and 43 percent from Europe.

The newly issued Global Bonds were priced at par with a coupon of 3.70 percent after an initial pricing guidance of 3.95 percent area.

This represented the tightest priced long-dated global bond offering ever issued by the Republic on a spread basis while the yield of 3.70 percent achieved by the Republic on this transaction was on the par with the Republic's 25-year bond offering in 2016—a remarkable feat, considering the higher US interest rate environment currently versus last year.

The global issuance was the first international capital markets transaction for the new Duterte administration, continuing a strong track record of prudent liability management transactions.

Proceeds of the issuance will be used to fund the Republic's tender offer and related expenses while the remaining amounts will be used for general purposes, including budgetary support.

The tender offer exercise targeted existing bondholders to switch into the new Global Bonds.

Bonds with a total notional value of \$3.56 billion were submitted for the switch tender offer and the Republic accepted a market value of \$1.5 billion from the submissions.

Citigroup, Credit Suisse, Deutsche Bank, Standard Chartered Bank, and UBS acted as joint global coordinators, dealer managers and bookrunners for the transaction.
