

**REPUBLIC OF THE PHILIPPINES
PROCEDURES FOR THE EXCHANGE OFFER**

The procedures for the Exchange Offer is being made for the exchange of the Eligible Bonds as set out in **Schedule 2** in this Notice of Offering. Please note that the Republic has the full discretion to accept any offer in full or in part, or to reject any Offer.

If the Republic does not accept an exchange offer for any reason, the exchanging bondholder will continue to own the Eligible Bond and the Republic will continue to pay interest and principal in accordance with existing schedule of such Eligible Bond.

1.1. Exchanged PB-2s to be Received

The Eligible Bonds may be exchanged for the New PB-2 due 2021 in accordance with this Notice of Offering. In no event, however, shall that the offer for exchange is in excess of the total number of Eligible Bonds held on an aggregate basis.

1.2. Required Details for the Offers

Any person interested may submit offers, subject to the requirements set out in the Notice of Offering and Annex G-1.

Letter of Instruction must specify:

- (a) the principal amount of the Eligible Bond that the exchanging bondholder is offering to exchange; and,
- (b) the NRoSS account number where the Eligible Bond for exchange is *lodged*, as applicable.

1.3. Procedures for Submitting Offers

(a) General

An Offer shall be deemed made only if done in accordance with the provisions below.

Selling Agent GSEDs may submit Offers directly to the Republic, through NRoSS.

Only the Eligible Bond that are validly held in a securities account free from any voluntary and involuntary liens, encumbrances or garnishment in the NRoSS may be submitted for exchange in the Exchange Offer.

(b) Procedures of the Exchange Offer

1. For each day of the Exchange Offer Period, the GSEDs can submit a bid to exchange the Eligible Bonds thru the NRoSS system. It is the responsibility of the GSEDs to verify that their holdings are available for exchange.
2. For the bid submission (which should be similar to a submission of a Non-Competitive Bid during regular auctions of government securities) the Auction Name selected must be ["SWITCH PB-2 (SWITCH DATE)"]. While Switch Date refers to the date that the bid for the Exchange was made, the settlement of the exchange shall coincide with the Issue Date of PB-2. This Auction Name will be specifically created by the BTr for purposes of exchanging the Eligible Bonds with PB-2.
3. In the lower portion of the [PARTICIPANTS], complete the Bid Amount by indicating the amount of Eligible Bonds to be exchanged.
4. Thereafter, complete the Account Type field by selecting either of the following:

ACCOUNT TYPE	DESCRIPTION
Own (can only be used by Selling Agent GSEDs)	Orders made via the Online Ordering Facility shall use this account.
Client (can only be by Selling Agent GSEDs) – if Selected, will require a Client Account Code	Client Code: "Omnibus Sponsor Code" - To be used when the Selling Agents choose to aggregate bids from any party who are classified as taxable. - For TEI accounts, the Selling Agent GSED shall ensure that the sponsored TEI account has been set up. They shall use the specific Client Account Code of such sponsored TEI.
	Client Code: "Client Account Code" - To be used when the Selling Agent GSED submits a bid for a specific client.

5. Once the Auction Name, Bid Amount and Account Type have been specified, the Selling Agent GSED must then click "OK".
6. Bid submissions can only be modified or cancelled before Cut-Off time of each day of Exchange Offer Period. For purposes of this guideline, Cut-Off time shall be **4:00 p.m. for 11 November to 10 December 2020 and 12:00 p.m. for 11 December 2020.**
7. The BTr will validate whether the identified NRoSS securities accounts have sufficient balance to support the bid submitted. If there is sufficient balance in the account, the BTr will consider the bid for allocation purposes. If there is insufficient balance, BTr may either reject

the entire bid or consider the available balance in the securities account for allocation.

8. After validation, the BTr shall allocate amounts to each Selling Agent GSED and earmark, thru the pledge module of NRoSS, such allocated amount. Securities earmarked can no longer be used or otherwise transferred by the Selling Agent GSED for any purpose.
9. Successful awards can be viewed and downloaded in NRoSS no later than **2:00 p.m. of the following business day** during the Exchange Offer Period, except on the last day wherein the award will be announced **on or before 2:00 p.m.** in the same day.

1.4. Procedures for Settlement

- (a) Prior to the Settlement Date of the Exchange Offer, the BTr shall ensure that the securities allocated to be exchanged will be un-earmarked thru the pledge release in NRoSS.
- (b) On Settlement Date, the BTr shall deliver the New PB-2 due 2021 securities against the delivery of the Eligible Bond exchanged. Securities will be delivered to the NRoSS securities account used when the bid was submitted.
- (c) Upon the delivery of securities to the NRoSS by the BTr, the Selling Agent GSEDs shall return the New PB-2 due 2021 to the actual holders of the bond.
- (d) On Settlement Date, accrued interest due to the bondholder as a result of the Exchange Offer shall be remitted to the respective Selling Agent GSED that submitted the exchange offer. The Selling Agent GSED shall then credit the amount due to each bondholder to its nominated settlement account.

Important Reminders

EACH GSED IS RESPONSIBLE FOR ARRANGING THE TIMELY SUBMISSION OF AN OFFER TO EXCHANGE.

THE REPUBLIC WILL NOT BE RESPONSIBLE FOR ANY COMMUNICATION RELATING TO EXCHANGE OFFERS BY HOLDERS OF ELIGIBLE BOND/S (AND HOLDERS OF BENEFICIAL INTERESTS IN THE ELIGIBLE BOND/S) TO THE RELEVANT SELLING AGENT GSED THROUGH WHICH THEY HOLD SUCH ELIGIBLE BOND. NEITHER SHALL THE REPUBLIC BE RESPONSIBLE FOR ANY COMMUNICATION RELATING TO SUBSCRIPTION OFFERS BY NEW INVESTORS TO THE RELEVANT SELLING AGENT GSED.

IF AN EXCHANGING BONDHOLDER HOLDS ELIGIBLE BOND/S THROUGH A BROKER, DEALER, COMMERCIAL BANK, OR FINANCIAL INSTITUTION, SUCH EXCHANGING BONDHOLDER SHOULD CONSULT WITH THAT INSTITUTION AS TO WHETHER IT WILL CHARGE ANY SERVICE FEES. EXCHANGING BONDHOLDER SHOULD BE AWARE THAT ISSUE MANAGERS MAY IMPOSE EARLIER DEADLINES FOR THE SUBMISSION OF LETTERS OF INSTRUCTION.

IN SUBMITTING AN EXCHANGE OFFER, AN EXCHANGING BONDHOLDER REPRESENTS TO THE REPUBLIC THAT SUCH EXCHANGING BONDHOLDER OWNS THE ELIGIBLE BOND THAT ARE THE SUBJECT OF SUCH EXCHANGING BONDHOLDER'S EXCHANGE OFFER, THAT SUCH ELIGIBLE BOND/S ARE FREE FROM ANY VOLUNTARY AND INVOLUNTARY LIEN, ENCUMBRANCE OR GARNISHMENT, AND THAT THE EXCHANGING BONDHOLDER HAS AUTHORITY TO TENDER THE ELIGIBLE BOND UNDER THE INVITATION.

EACH OFFEROR FURTHER REPRESENTS THAT THE INFORMATION CONTAINED IN THE OFFER IS FREELY AND VOLUNTARILY DISCLOSED AND GIVEN FOR THE EVALUATION AND CONSIDERATION BY THE REPUBLIC AND ITS ADVISERS IN ACCORDANCE WITH THIS NOTICE OF OFFERING AND THE INVITATION.

Hypothetical Bond Exchange Illustration

Settlement Date	12/16/20
ISIN	PPBD0120L010
Security Name	Premyo Bonds 1
Coupon (a)	3.00%
Maturity Date	12/18/20
Coupon Frequency	Quarterly
Days of Accrued Interest from last coupon payment date (b)	89

Eligible Bond Repurchase Price (c)		100.00
Amount for Exchange Offer (d)		100,000.00
Offer Price (e)		100.00
Exchange Ratio (f)	(c / e)	1.00
Post-Exchange Amount of PB-2	$(d \times f)$	100,000.00

Non-TEI Accrued Interest Computation		
Accrued Interest	$(a \times d) \times (b/360 \text{ days})$	741.67
Less: Tax Consideration (20% W/tax)		148.33
Net Accrued Interest		593.34
TEI Accrued Interest Computation		
Net Accrued Interest	$(a \times d) \times (b/360 \text{ days})$	741.67