

TERMS AND CONDITIONS OF THE
RETAIL ONSHORE DOLLAR BONDS

Five (5)-Year and Ten (10)-Year Retail Onshore Dollar Bonds due 2026 and 2031

13 September 2021

USD Five (5)-YEAR – RODB0526J014

USD Ten (10)-YEAR – RODB1031J014

*The issue of a minimum of Five (5)-Year and Ten (10)-Year **Retail Onshore Dollar Bonds** in US Dollar denomination due 2026 and 2031, respectively, with an aggregate target minimum amount of Four Hundred Million Dollars (USD 400,000,000.00) (the “**Bonds**”) was authorized by the President through the Special Authority dated 05 August 2021, and pursuant to the authorization of the Secretary of Finance of the Republic of the Philippines (the “**Republic**”) under Republic Act No. 245, as amended, in consultation with and with the approval of the Monetary Board of the Bangko Sentral ng Pilipinas (the “**BSP**”).*

1. DEFINITION

1.1 For the purposes of these Terms and Conditions:

“**Auction Committee**” means the Auction Committee of the Bureau of Treasury (“**BTr**”).

“**Auction Date**” means 15 September 2021 or such other date determined accordance with the Notice of Offering.

“**Convening Dealer**” has the meaning set out in Condition 13.1;

“**Default**” means an Event of Default or an event which, with notice or lapse of time, or both would become an Event of Default;

“**Event of Default**” means an event specified as such in Condition 9.1;

“**Extraordinary Resolution**” means a resolution on any of the matters set out in Condition 13.7 hereof requiring the approval of Bondholders holding or representing at least seventy-five percent (75%) of the aggregate principal amount of the Bonds;

“**Interest Payment Date**” means the date on which the interest due on the Bonds shall be paid to the Bondholders, which is on the last day of the three (3)-month interest period from Issue Date and on the last day of each three (3)-month interest period thereafter until Maturity Date;

“**Interest Record Date**” means one (1) Business Day preceding an Interest Payment Date, notwithstanding any provision in the Program Mechanics to the contrary;

“Issue Date” means 08 October 2021 or such other date determined in accordance with the Principal Commercial Terms portion of the Notice of Offering;

“Issue Price” means 100% of the face value of the Bonds;

“Lien” has the meaning set out in Condition 8(a)(i);

“Maturity Date” means 08 October 2026 for the Five (5)-Year Retail Onshore Dollar Bonds, and 08 October 2031 for the Ten (10)-Year Retail Onshore Dollar Bonds; *provided that*, if the Issue Date does not occur on 08 October 2021, the Maturity Dates shall be the date that is five (5) years and ten (10) years following the Issue Date of the Five (5)-Year Retail Onshore Dollar Bonds and the Ten (10)-Year Retail Onshore Dollar Bonds, respectively;

“Notice of Offering” means the Notice of Offering dated 13 September 2021 pertaining to the Bonds;

“NRoSS” means the National Registry of Scripless Securities. All references to “RoSS” in the Program Mechanics shall be deemed reference to “NRoSS” and *vice versa*;

“NRoSS Securities Account” shall have the same definition as “RoSS Principal Securities Account” in the Program Mechanics. All references to the “RoSS Principal Securities Account” in the Program Mechanics shall be deemed reference to “NRoSS Securities Account” and *vice versa*;

“Peso Clear” means a Bond subscription payment option facilitated by the Dealers: (a) that allows a subscriber of the Bonds to pay for his Bond subscription using Philippine Pesos, and (b) that results in the Bondholder receiving the interest and principal payments on the Bonds in Philippine Pesos;

“Terms and Conditions” means these terms and conditions of the Bonds;

“Transfer Forms” means the documents executed in conformity with the requirements of the Program Mechanics by a transferor and a transferee of the Bonds who are both Bondholders having NRoSS Securities Account, which evidences the transfer of the Bonds.

- 1.2 Unless otherwise expressly provided herein, defined terms used in these Terms and Conditions shall have the meanings set forth in the Program Mechanics.

2. FORM, DENOMINATION, AND TITLE

- 2.1 **Form and Denomination.** The Bonds shall be issued in scripless form and will be offered for subscription in US Dollars in minimum denominations of Three Hundred Dollars (USD 300.00) and multiples of One Hundred Dollars (USD 100.00) thereafter.

- 2.2 **Title.** Title to the Bonds shall be evidenced by registration in the Bond Register. Except as ordered by a court of competent jurisdiction or as required by law, a Bondholder shall be deemed to be and may be treated as the absolute owner of the Bonds registered in its

name in the Bond Register for all purposes, whether or not the Bonds are overdue or outstanding and regardless of any notice of ownership, trust or an interest in it.

3. TRANSFER OF THE BONDS

- 3.1 **Transferability.** One or more Bonds are transferable in accordance with the provisions of the Program Mechanics and these Terms and Conditions. With respect to the transfer of the Bonds by and among Bondholders having NRoSS Securities Accounts, the transferor and the transferee of a Bond may execute the relevant Transfer Forms and deliver them to the Registrar, as applicable. The Registrar shall ultimately and conclusively determine all matters regarding the evidence necessary to effect any such transfer.

On the other hand, the transfer of the Bonds held by Investors through Third Party Securities Custodians shall be governed by the applicable requirements and procedures of the relevant Third Party Securities Custodian, subject only to the Program Mechanics and these Terms and Conditions. Third Party Securities Custodians shall provide the Republic with a certified copy of the current Investor's List when required by the Republic.

4. STATUS

The Bonds constitute direct, unconditional, unsubordinated, unsecured, and general obligations of the Republic and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Republic under the Bonds shall rank *pari passu* in priority of payment with all other present and future unsecured and unsubordinated Foreign Currency Indebtedness of the Republic.

5. INTEREST

The applicable interest rate for the Bonds shall be fixed until Maturity Date at the rates determined on Auction Date for the five (5)-year Bonds and the ten (10)-year Bonds. The applicable interest shall be payable quarterly in arrears to be calculated on a thirty over three hundred sixty (30/360) day basis, and shall be paid on the last day of each three (3)-month interest period.

6. REDEMPTION, PURCHASE, AND CANCELLATION

- 6.1 **Final Redemption.** The Republic shall pay in full to the Bondholders the principal on the Bonds on Maturity Date.
- 6.2 **Purchase and cancellation.** The Republic may at any time, purchase the Bonds in the secondary market, or by tender or by contract or otherwise at any price.

7. PAYMENTS

- 7.1 **Principal and Interest.** The Republic will make payment of the principal on the Maturity Date and of interest on each Interest Payment Date in US Dollars by crediting the Settlement Bank of the relevant Bondholders with the full amounts then due and payable; payments due to RDBs held by Third Party Securities Custodians shall be credited to the

Settlement Bank of such Third Party Securities Custodians. Upon such crediting, the Republic shall be deemed to have made payment to all Bondholders on the day of such crediting. For the avoidance of doubt, the Republic shall be deemed to have made payments due on the Bonds held by Third Party Securities Custodians upon crediting the payments to the Settlement Bank of the Third Party Securities Custodian.

The Settlement Banks shall, in turn, credit the payments to the Bondholders' settlement accounts. Third Party Securities Custodians shall likewise be responsible for distributing payment to each investor identified in their respective Investors Lists. If any payment in respect of the Bonds would otherwise be due on a day that is not a Business Day, such payments shall be made on the next succeeding day that is a Business Day without adjustment to the amount of interest to be paid.

7.2 **Interest Record Date.** Interest on the Bonds will be paid on each Interest Payment Date to the settlement account of the relevant Bondholder of record or to the settlement account of their Third Party Securities Custodian as shown on the Bond Register at the close of business on the Interest Record Date.

7.3 **Fiscal laws.** All payments are subject in all cases to any applicable fiscal or other laws and regulations.

8. COVENANTS

The Republic covenants and agrees that, until payment in full of all amounts payable by the Republic under the Bonds, the Republic shall:

- a. obtain or procure the obtaining of and thereafter maintain in full force and effect every consent and license and do all other acts and things as may from time to time be necessary or desirable for the due performance of its obligations hereunder;
- b. promptly inform the Bondholders of:
 - (i) any occurrence of any event of which it becomes aware and which constitutes an Event of Default or a default in respect of the Bonds or which by giving of notice and/or by lapse of time or otherwise would constitute a default in respect of the Bonds; or
 - (ii) any occurrence of any event of which it becomes aware and which in its reasonable opinion would otherwise have a Material Adverse Effect;
- c. at all times comply with, or cause to be complied with, all applicable laws, statutes, rules, regulations, orders and directives;
- d. pay all of its debt and perform all contractual obligations promptly and in accordance with its obligations in respect of the Bonds, and duly pay and discharge all taxes, assessments and governmental charges of whatsoever nature and by whomsoever levied upon it or against its properties prior to the date on

which penalties attach thereto, unless and to the extent only that the same shall be contested in good faith and by appropriate proceedings;

- e. obtain, maintain, and comply with the terms of, and supply to the Bondholders certified copies of, any authorization required under any law or regulation to enable it to perform its obligations under, or for the validity or enforceability of, the Bonds;
- f. supply to the Dealers promptly upon becoming aware of such, a notice of any litigation, arbitration or administrative proceedings which are current, threatened or pending, and which, if adversely determined, could reasonably be expected to have a Material Adverse Effect or which may make it improbable for the Republic to perform its obligations under the Bonds;
- g. ensure that at all times the claims of the Bondholders against it under the Bonds rank at least *pari passu* with the claims of all its other creditors in respect of Foreign Currency Indebtedness; and
- h. not create or permit to subsist:
 - (i) any mortgage deed of trust, charge, pledge lien or other encumbrance or preferential arrangement which has the practical effect of constituting a security interest whether in effect on the issued date or thereafter (a “**Lien**”) upon whole or any part of its assets or revenues to secure any Foreign Currency Indebtedness unless the Republic shall procure that all amounts payable under the Bonds are secured equally or ratably; or
 - (ii) any preference or priority in respect of any other Indebtedness of the Republic pursuant to Article 2244(14) of the Civil Code of the Republic, or any successor Philippine law providing for preferences or priority in respect of notarized Indebtedness, unless amounts payable under the bonds are granted preference or priority equally and ratably therewith.

Notwithstanding the above, the Republic may create or permit the creation of any Lien as follows:

- (u) upon any property or asset (or any interest therein) at the time of purchase, improvement, construction, development, or redevelopment thereof solely as security for the payment of the purchase, improvement, construction, development, or redevelopment costs of such property or assets,
- (v) arising in the ordinary course of banking transactions to secure Indebtedness maturing not more than one (1) year after the date on which such Indebtedness was incurred,

- (w) existing on any property or asset at the time of its acquisition or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition, and extensions and renewals of any such Lien which is limited to the original property or asset covered thereby and which secures any extension or renewal of the original secured financing,
- (x) arising out of the extension, renewal, or replacement of any Indebtedness that is permitted to be subject to a Lien pursuant to clause (u) provided, however, that the principal amount of the Indebtedness so secured is not increased,
- (y) which (A) arises pursuant to an attachment, distraint, or similar legal process arising in connection with court proceedings so long as the execution or other enforcement thereof is effectively stayed and the claims secured thereby are being contested in good faith by appropriate proceedings or (B) secures the reimbursement obligation under any bond given in connection with the release of property from any Lien referred to in (A) above, provided that in each of (A) and (B) such Lien is released or discharged within one (1) year of its imposition or
- (z) arising by operation of law,

provided that any such Lien is not created or permitted to be created by the Issuer for the purpose of securing any Foreign Currency Indebtedness.

9. EVENTS OF DEFAULT

9.1. **Events of Default.** Each of the following events shall constitute an Event of Default under the Bonds (whether or not caused by any reason whatsoever outside the control of the Republic or any other Person):

- a. the Republic fails to pay when due any amount payable by the Republic hereunder and such default shall continue for a period of thirty (30) days;
- b. the Republic defaults in the performance or observance of, or compliance with, any other covenant or its obligations under the Bonds and such default, if capable of being remedied, continues for a period of sixty (60) days after written notice of such default has been given to the Republic;
- c. (i) any Foreign Currency Indebtedness of the Republic is not paid (A) when due (after the expiry of any grace period, if applicable) or (B), by reason of a default or event of default (howsoever described and whether or not involving culpability on the part of any Person), which results in the acceleration of the maturity thereof and the aggregate principal amount of all such Foreign Currency Indebtedness is equal to or exceeds Twenty-Five Million US Dollars (USD 25,000,000.00) or its equivalent; or

- (ii) an event of default (howsoever described) occurs under any document relating to any Foreign Currency Indebtedness of the Republic which has not been unconditionally waived, which results in the acceleration of the maturity thereof and the aggregate principal amount of all such Foreign Currency Indebtedness is equal to or exceeds Twenty-Five Million US Dollars (USD 25,000,000.00) or its equivalent;
- d. any approval for the Republic required in relation to the performance of its payment or other material obligations under, or for the validity or enforceability of, the Bonds is revoked, rescinded, suspended or otherwise limited in effect (written notice of which shall be given by the Republic to the Dealers forthwith upon the Republic becoming aware thereof);
- e. the Republic is unable to, or admits inability to pay its Foreign Currency Indebtedness as it falls due or makes a general assignment for the benefit of or composition with its creditors;
- f. any event occurs or any circumstance arises which would otherwise have a Material Adverse Effect, and such event or circumstance remain unremedied for a period of sixty (60) days after written notice thereof shall have been received by the Republic;
- g. the Republic repudiates the obligations under the Bonds or makes any official declaration evidencing an intention to repudiate the Bonds;
- h. at any time it is or becomes unlawful for the Republic to perform or comply with any or all of its obligations hereunder or any of the obligations of the Republic hereunder are not or cease to be legal, valid, binding and enforceable; and
- i. a general moratorium on the payment or performance of the obligations in respect of any Foreign Currency Indebtedness of the Republic (including any guarantee of any obligation) shall be declared by the Republic.

- 9.2. **Consequences of Default.** If an Event of Default shall have occurred, then at any time thereafter, if any such event shall then be continuing and upon written instruction by Bondholders holding at least twenty-five percent (25%) of the aggregate principal amount of the Bonds, a Dealer (i.e., the Convening Dealer) may, by written notice to the Republic, declare the entire unpaid principal amount of the Bonds, all interest accrued and unpaid thereon, and all other amounts payable hereunder to be forthwith due and payable, whereupon the same shall become immediately due and payable, without presentment, demand, protest, or further notice of any kind (all of which are hereby expressly waived by the Republic), unless, prior to receipt by the Republic of such written notice, any and all such Events of Default in relation to the Bonds shall have been cured, waived, or otherwise remedied.

The foregoing notwithstanding, if any and all existing Events of Default in relation to the Bonds shall have been cured, waived, or otherwise remedied as provided herein, then, and in every such case, the Bondholders holding more than fifty percent (50%) of the

aggregate principal amount of the Bonds, by written notice to the Republic after a vote at a meeting held in accordance with the provisions set forth herein, may, on behalf of all the Bondholders, rescind or annul any prior declaration or the acceleration of the principal of and interest accrued on the Bonds and its consequences but no such rescission and annulment shall extend to or affect any subsequent default, or shall impair any right consequent thereon.

10. FEES AND EXPENSES

The Republic shall reimburse the Bondholders on demand for all reasonable and documented expenses incurred by them in connection with the enforcement of the Bonds from and after the occurrence of an Event of Default. Such expenses shall be reimbursed whether or not any Bondholder gives notice of such Event of Default or demands acceleration of the amounts due from the Bonds or takes other action to enforce the provisions of the Bonds.

11. TAXATION

All amounts payable by the Republic in respect of the Bonds shall be made without set-off or counterclaim, and free and clear and without any deduction or withholding on account of any Indemnifiable Tax, all of which shall be for the account of the Republic and shall be paid by the Republic directly to the relevant taxing or other authority when due. If the Republic shall be required by law to make any deduction or withholding in respect of Indemnifiable Tax from any payment hereunder, the sum payable shall be increased as will result in the receipt by the Bondholders, after such deduction or withholding, of the amount that would have been received if such deduction or withholding had not been required.

For avoidance of doubt, Indemnifiable Tax shall: (i) include the final withholding tax applicable on interest earned on the Bonds prescribed under the National Internal Revenue Code, as may be amended from time to time ("**NIRC**"); and (ii) exclude the following: (a) gross receipts tax under Section 121 of the NIRC, and (b) taxes on the overall income of any Dealer or Bondholder, whether or not subject to withholding. Taxes other than Indemnifiable Tax, such as those mentioned in items (ii)(a) and (ii)(b) of this paragraph, shall be for the account of the Bondholder.

12. NOTICES

Notices to Bondholders may be, at the option of Republic,

- a. mailed to them at their respective addresses specified in the Bond Register,
- b. posted through any electronic financial information provider, or
- c. advertised in any newspaper of general circulation in the Republic.

13. MEETINGS

Meetings of Bondholders may be convened to discuss any matter affecting the Bonds, including, without limitation, any proposals for modifications to these Terms and Conditions.

13.1 **Convening a Meeting.**

- a. If any Dealer (for purposes of this Condition, a “**Convening Dealer**”) receives a written request from the Republic or from Bondholders holding at least ten percent (10%) of the aggregate principal amount of the Bonds, and is indemnified to its satisfaction against all costs and expenses, such Dealer shall convene a meeting of Bondholders. In case of doubt as to the satisfaction of the minimum aggregate principal amount of the Bonds held by a requesting Bondholder, a Convening Dealer may secure from the Republic a certification on the principal amount of Bonds held by the requesting Bondholder, which certification shall not be unduly withheld. In the event more than one receives a written request regarding the same subject matter, the Convening Dealer shall be the Dealer who has received a written notice at the earliest time. Every meeting shall be held at a time and place approved by the Convening Dealer.
- b. At least twenty-one (21) days’ notice (exclusive of the day on which the notice is given and of the day of the meeting) shall be given to the Bondholders. The Convening Dealer shall give a copy of the notice to the other parties. The notice shall be sent to the Bondholders in any of the manners provided in Condition 12, at the option of the Convening Dealer and shall specify the day, time and place of meeting and, unless the Convening Dealer otherwise agrees, the nature of the resolutions to be proposed and shall explain how Bondholders may appoint proxies or representatives and the details of the time limits applicable.

13.2 **Convening Dealer’s Power to Prescribe Regulations.** The Convening Dealer may prescribe regulations in addition to those set out herein regarding the holding of the meeting in respect of which it is the Convening Dealer and attendance and voting as it determines to be reasonable and appropriate.

13.3 **Chairman.** The chairman of a meeting shall be such person as the Convening Dealer may nominate in writing, but if no such nomination is made or if the person nominated is not present within fifteen (15) minutes after the time fixed for the meeting, the Bondholders, their appointed proxies or representatives present shall choose one of their number to be chairman, failing which the Republic may appoint a chairman. The chairman may, but need not, be a Bondholder or an agent. The chairman of an adjourned meeting need not be the same person as the chairman of the original meeting.

13.4 **Attendance.** Apart from the Bondholders and their appointed proxies or representatives, the chairman, the Republic and the Convening Dealer (through their respective representatives) and their respective financial and legal advisers, no other person may attend or speak at meetings of Bondholders.

13.5 **Quorum and Adjournment.**

- a. No business (except choosing a chairman) shall be transacted at a meeting unless a quorum is present at the commencement of business. If a quorum is not present within fifteen (15) minutes from the time initially fixed for the meeting, it shall, if convened on the requisition of Bondholders or if the Republic and the Convening

Dealer agree, be dissolved. In any other case it shall be adjourned until such date (which shall not be less than fourteen (14) or more than thirty (30) days after the originally scheduled date), time and place as the chairman may decide. If a quorum is not present within fifteen (15) minutes from the time fixed for a meeting so adjourned, the meeting shall be dissolved.

- b. Two or more Bondholders holding or representing more than fifty percent (50%) of the aggregate principal amount of the Bonds, shall form a quorum provided, however, that no Extraordinary Resolution may be passed unless there are present, at such meeting in which the proposal for the adoption of an Extraordinary Resolution shall be passed, Bondholders, or proxies or representatives of Bondholders, holding or representing at least seventy-five percent (75%) of the aggregate principal amount of the Bonds.
- c. The chairman may adjourn the meeting from time to time and from place to place. Only business that could have been transacted at the original meeting may be transacted at a meeting adjourned in accordance with this paragraph.
- d. At least ten (10) days prior notice of a meeting adjourned through want of a quorum shall be given in the same manner as for an original meeting and that notice shall state the quorum required at the adjourned meeting. No notice need, however, otherwise be given of an adjourned meeting.

13.6 **Voting.**

- a. Each question submitted to a meeting shall be decided by a poll, which shall be taken in such manner as the chairman directs. The result of the poll shall be deemed to be the resolution of the meeting at which it was demanded as at the date it was taken.
- b. Every person who is present in person or through his proxy or representative and who is indicated in the Bond Register as a Bondholder has such number of votes as may be determined in the manner prescribed in Condition 14 below.
- c. At any meeting of the Bondholders, the affirmative vote of Bondholders holding at least sixty-six and two-thirds percent (66 $\frac{2}{3}$ %) of the aggregate principal amount of the Bonds shall be necessary to modify, amend, supplement, or waive the terms of the Bonds other than a modification, amendment, supplement, or waiver requiring an Extraordinary Resolution as herein provided, and the Bondholders may make, take, or give any request, demand, authorization, direction, notice, consent, waiver, or other action provided by the Program Mechanics or the terms and conditions of the Bonds to be made, given, or taken by the Bondholders of the Bonds other than a waiver or other action requiring an Extraordinary Resolution.
- d. The affirmative vote of Bondholders holding at least seventy five percent (75%) of the aggregate principal amount of the Bonds shall be necessary to approve Bondholder action requiring an Extraordinary Resolution.

13.7 Powers of Meetings. A meeting shall have power by Extraordinary Resolution:

- a. to sanction any proposal by the Republic or by Bondholders for any modification, abrogation, variation, or compromise of, or arrangement in respect of, the rights of the Bondholders against the Republic;
- b. to sanction the exchange or substitution for the Bonds of, or the conversion of the Bonds into other securities of the Republic or any other entity;
- c. to assent to any modification of the Bonds proposed by the Republic or the Convening Dealer, such as the following:
 - (i) change the due date for the payment of the principal of or any installment of interest on the Bonds;
 - (ii) reduce the principal amount of, or the portion of such principal amount which is payable upon acceleration of the maturity of, or the interest rate on the Bonds;
 - (iii) change the currency in, or the required manner by, which payment with respect to interest or principal in respect of the Bonds is payable;
 - (iv) reduce the proportion of the aggregate principal amount of the Bonds the vote or consent of the holders of which is necessary to modify, amend, or supplement the terms and conditions of the Bonds or to make, take, or give any request, demand, authorization, direction, notice, consent, waiver, or other action provided hereby or thereby to be made, taken, or given; or
 - (v) change the obligation of the Republic to pay additional amounts with respect to the Bonds; and
- d. to appoint any persons (whether Bondholders or not) as a committee or committees to represent the Bondholders' interests and to confer on them any powers or discretions which the Bondholders could themselves exercise by Extraordinary Resolution.

13.8 Effect and Publication of a Resolution. A Resolution (whether an Extraordinary Resolution or otherwise) shall be binding on all the Bondholders, whether or not present at the meeting and each of them shall be bound to give effect to it accordingly. The Republic and/or the Convening Dealer shall give notice, through any of the means provided in Condition 12, of the passing of a resolution to Bondholders within fourteen (14) days but failure to do so shall not invalidate the resolution.

13.9 Minutes. Minutes shall be made of all resolutions and proceedings at every meeting. Until the contrary is proved every meeting for which minutes have been so made and signed

shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

14. BONDHOLDER VOTES

For purposes of Conditions 9.2 and 13 of these Terms and Conditions, and in relation to Condition 13.6 thereof, a Bondholder has one (1) vote for each One Hundred Dollars (USD100.00) principal amount of Bonds held.

15. GOVERNING LAW AND JURISDICTION

- 15.1 The Bonds shall be governed by, and construed in accordance with, the laws of the Philippines.
- 15.2 Any suit, action, or proceeding against the Republic with respect to the Bonds or any judgment entered by any court in respect thereof may be brought in any competent court in Makati City or Manila, and the parties hereby submit to the non-exclusive jurisdiction of such courts for the purpose of any such suit, action, proceeding, or judgment.
- 15.3 If any legal action or other proceeding is brought in connection with any provisions of the Bonds, the prevailing party shall be entitled to recover reasonable attorneys' fees and other costs incurred in such action or proceedings.

THE REPUBLIC OF THE PHILIPPINES

By: _____