

NDIAMÉ DIOP
Country Director
Brunei, Malaysia, Philippines and Thailand

26-Oct-2021

Honorable Carlos G. Dominguez
Secretary
Department of Finance
6th Floor, DOF Building, BSP Complex
Roxas Boulevard, Manila

Dear Secretary Dominguez:

Re: Notice of Reference Rate Replacement and Related Amendments under Loan Agreements

We refer to the loan agreements entered into between Republic of the Philippines (the “Borrower”) and the International Bank for Reconstruction and Development (the “Bank”) in respect of the Loans listed in Annex I to this letter (the “Loan Agreements”). We also refer to the Bank’s communications to the Borrower during the past year on the Bank’s LIBOR transition planning, including relating to the LIBOR omnibus amendment to the Loan Agreements (the “LIBOR Omnibus Amendment”), if applicable. The terms not defined herein shall have the meaning given in the relevant Loan Agreements.

1. The Bank hereby provides the notice to the Borrower of the replacement of the Reference Rate under the relevant provisions of each of the Loan Agreements for the Loans listed in Annex I to this letter. The new Reference Rates and certain conforming revisions to the related provisions of the Loan Agreements are set forth in Annex II to this letter. In exercising this authority, the Bank acts solely to maintain and preserve the pre-existing relationship between its borrowing costs and its lending rates, and does not seek any commercial advantage for itself. In the interests of fairness, transparency, and consistency, the Bank offers the same terms to all borrowers for all Bank loans. The terms of the Reference Rate replacement set forth herein are presented in an omnibus fashion. Accordingly, not all revisions in Annex II will apply to all Loan Agreements of the Borrower (i.e., such revisions shall apply as consistent and appropriate within the terms of the individual Loan Agreements of the Borrower.)
2. In furtherance of Section 1 above, this notice of Reference Rate replacement is provided in reliance on the following provisions of the relevant General Conditions and equivalent provisions of the Loan Agreements, as applicable to the Borrower’s list of Loans:

- a) Section 3.02 (c) of the Bank’s General Conditions of December 14, 2018, as revised from time to time, in respect of the Loans governed by such General Conditions, if any;
 - b) Provisions of the Loan Agreements, as amended by the LIBOR Omnibus Amendment, equivalent to Section 3.02 (c) of the Bank’s General Conditions of December 14, 2018, as revised from time to time, in respect of the Loans amended by the LIBOR Omnibus Amendment, if any;
 - c) Section 3.02 (c) of the Bank’s General Conditions of July 31, 2010 to July 14, 2017, in respect of the Loans denominated in EUR, GBP and JPY governed by such General Conditions, if any; and
 - d) Section 3.02(d) of the Bank’s General Conditions of July 14, 2017 or earlier and the equivalent provisions of the Loan Agreements, in respect of the remainder of the Loans not covered by bullet points (a) to (c) above (the “Designated Legacy Loans”), if any.
3. For the avoidance of doubt, the terms of the interest rate or currency conversions in effect on any Loan shall continue, such that the conforming revisions set forth herein shall apply to the underlying terms of the Loan as if any such existing conversion had been effected on the terms of the Loan so revised.
4. The “Effective Date” of the Reference Rate replacement provisions set forth in Annex II with respect to each Loan shall be as follows:
- a) For all Loans (i) with an interest rate based on LIBOR or EURIBOR plus a variable spread or (ii) denominated in currencies other than USD and with an interest rate based on LIBOR or EURIBOR plus a fixed spread – the first day of the next applicable Interest Period falling on or after January 1, 2022;
 - b) For all Loans denominated in USD and with an interest rate based on LIBOR plus a fixed spread (including the Loans where the variable spread has been fixed) – the first day of the next applicable Interest Period falling on or after July 1, 2023; and
 - c) If during the period between September 1, 2021 and January 1, 2022, the Bank and the Borrower sign any loan agreements with respect to loans that are not listed in Annex I to this letter and the Reference Rate under such loans is LIBOR or EURIBOR, such Reference Rate shall be replaced (or updated) in accordance with the terms of this notice on the applicable first day of such loans’ relevant Interest Period consistent with the provisions of Section 4(a) and (b) above.

The replacement of the Reference Rate and the related revisions set forth herein shall become effective on the applicable Effective Dates as defined above and indicated next to each Loan in Annex I. We remain at your disposal, if you have any questions in relation to this notice of Reference Rate replacement.

Sincerely,

Ndiame Diop

Ndiame Diop

Country Director

Brunei, Malaysia, Philippines and Thailand
East Asia and Pacific Region

cc: Hon. Karl Kendrick Chua, Secretary, National Economic and Development Authority
Hon. Tina Rose Marie Canda, OIC Secretary, Department of Budget and Management
Mr. Mark Dennis Joven, Undersecretary, Department of Finance
Mr. Jonathan Uy, Undersecretary, National Economic and Development Authority
Mr. Rolando Toledo, Undersecretary, Department of Budget and Management
Ms. Maria Edita Tan, Assistant Secretary, Department of Finance
Ms. Jenaira Mae Jalasco, Director, Department of Finance
Ms. Donalyn Minimo, Department of Finance
Ms. Sharon Almanza, Senior Advisor to the Executive Director for the Philippines,
World Bank Group

List of Borrower's Loans

Loan Number	Project Name	Commitment Currency	Original Principal Amount	Agreement Signing Date	Effective Date¹ (for Reference Rate)
7147	Kapitbisig Laban sa Kahirapan- Comprehensive and Integrated Delivery of Social Services Project (Kalahi-CIDSS) Project	USD	100,000,000	7-Oct-2002	15-Oct-2023
7152	Second Agrarian Reform Communities Development Project	USD	50,000,000	22-Jan-2003	15-Oct-2023
7153	Autonomous Region in Muslim Mindanao (ARMM) Social Fund Project	USD	33,600,000	20-Jan-2003	15-Oct-2023
7191	Judicial Reform Support Project	USD	21,900,000	2-Oct-2003	15-Oct-2023
7205	Laguna De Bay Institutional Strengthening and Community Participation Project	USD	5,000,000	26-Jan-2004	15-Oct-2023
7236	Diversified Farm Income and Market	USD	60,000,000	24-Aug-2004	15-Oct-2023

¹ Refer to the definition of “Effective Date” in Section 4 of this notice.

	Development Project				
7290	Second Women's Health and Safe Motherhood Project	USD	16,000,000	30-Jun-2005	15-Oct-2023
7298	Second Land Administration and Management Project	USD	18,995,000	30-Jun-2005	15-Dec-2023
7393	National Program Support for Basic Education Project	USD	200,000,000	3-Oct-2006	15-Dec-2023
7395	National Sector Support for Health Reform Project	USD	110,000,000	3-Oct-2006	15-Dec-2023
7424	First Development Policy Loan	USD	250,000,000	23-Jan-2007	15-Nov-2023
7431	National Program Support for Tax Administration Reform Project	USD	11,000,000	30-Mar-2007	15-Nov-2023
7440	Mindanao Rural Development Project Phase II	USD	83,752,000	3-May-2007	15-Nov-2023
7470	National Program Support for Environment and Natural Resources Management Project	USD	50,000,000	29-Aug-2007	15-Nov-2023
7552	National Roads Improvement and Management Program Phase II	USD	232,000,000	24-Oct-2008	15-Nov-2023

7615	Food Crisis Response Development Policy Operation Loan	USD	200,000,000	16-Dec-2008	15-Nov-2023
7689	Additional Financing for Second Agrarian Reform Communities Development Project	USD	10,000,000	12-May-2009	15-Sep-2023
7709	Participatory Irrigation Development Project	USD	70,360,000	7-Aug-2009	1-Nov-2023
7805	Social Welfare and Development Reform Project	USD	405,000,000	7-Jan-2010	1-Apr-2022
7912	Additional Financing for Autonomous Region in Muslim Mindanao ARMM Social Fund Project	USD	30,000,000	31-Aug-2010	1-May-2022
7913	Food Crisis Response Development Policy Operation: Supplemental Support for Post-Typhoon Recovery	USD	250,000,000	28-Jun-2010	15-May-2022
7959	Additional Financing for the Kapitbisig Laban sa Kahirapan- Comprehensive and Integrated Delivery of	USD	59,124,000	3-Dec-2010	1-May-2022

	Social Services Project (Kalahi-CIDSS)				
8035	Additional Financing for Laguna de Bay Institutional Strengthening and Community Participation Project	USD	10,000,000	12-May-2011	1-Jan-2022
8050	First Development Policy Loan to Foster More Inclusive Growth	USD	250,000,000	15-Jun-2011	1-Apr-2022
8085	Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option (CAT-DDO)	USD	500,000,000	23-Sep-2011	15-Apr-2022
8218	Additional Financing for the Social Welfare and Development Reform Project	USD	100,000,000	30-Jan-2013	15-Jan-2022
8238	Second Development Policy Loan to Foster More Inclusive Growth	USD	300,000,000	20-Apr-2013	15-May-2022
8328	Second Development Policy Loan to Foster More Inclusive Growth: Supplemental	USD	500,000,000	23-Dec-2013	1-Jun-2022

	Financing for Post-Typhoon Recovery and Amendment to the Original Loan Agreement				
8335	KALAHI-CIDSS National Community Driven Development Project	USD	479,000,000	2-Apr-2014	15-Feb-2022
8344	Learning, Equity and Accountability Program Support Project	USD	300,000,000	10-Apr-2014	15-Mar-2022
8421	Philippine Rural Development Project	USD	501,250,000	8-Sep-2014	15-Apr-2022
8435	Third Development Policy Loan to Foster More Inclusive Growth	USD	300,000,000	14-Oct-2014	15-May-2022
8444	Cebu Bus Rapid Transit Project	USD	116,000,000	14-Oct-2014	15-May-2022
8576	Second Disaster Risk Management Development Policy Loan with a Catastrophe Deferred Drawdown Option (CAT-DDO)	USD	500,000,000	20-Jan-2016	15-Apr-2022
8584	Social Welfare Development and Reform Project II	USD	450,000,000	29-Apr-2016	15-Jan-2022
8728	Metro Manila Bus Rapid	USD	40,700,000	14-Feb-2019	15-Mar-2022

	Transit - Line 1 Project				
8784	Metro Manila Flood Management Project	USD	207,603,205	19-Dec-2017	15-Apr-2022
8816	Additional Financing for Philippine Rural Development Project	USD	170,000,000	2-Mar-2018	15-May-2022
8932	Improving Fiscal Management Development Policy Loan	USD	450,000,000	2-Apr-2019	15-Apr-2022
8967	Social Welfare Development and Reform Project II	USD	300,000,000	28-Nov-2019	15-May-2022
9022	Promoting Competitiveness and Enhancing Resilience to Natural Disasters Sub-Program 1 Development Policy Loan	USD	400,000,000	19-Dec-2019	15-Jun-2022
9080	Third Disaster Risk Management Development Policy Loan	USD	500,000,000	10-Apr-2020	1-Apr-2022
9105	Philippines COVID-19 Emergency Response Project	USD	100,000,000	28-Apr-2020	15-Apr-2022
9121	Emergency COVID-19 Response Development Policy Loan	USD	500,000,000	3-Jun-2020	15-May-2022
9141	(Support to Parcelization of	USD	370,000,000	14-Jul-2020	15-Jun-2022

	Lands for Individual Titling Project				
9168	Philippines Beneficiary FIRST Social Protection Project	USD	600,000,000	10-Nov-2020	15-Mar-2022
9171	Philippines Customs Modernization Project	USD	88,280,000	3-Dec-2020	15-Apr-2022
9189	Promoting Competitiveness and Enhancing Resilience to Natural Disasters Sub-Program 2 Development Policy Loan	USD	600,000,000	21-Dec-2020	15-Jun-2022
9191	Additional Financing for the KALAHI-CIDSS National Community Driven Development Project	USD	300,000,000	21-Dec-2020	1-Jun-2022
9220	Providing Additional Financing and Amending and Restating the Original Loan Agreement for Philippines COVID-19 Emergency Response Project	USD	500,000,000	19-Mar-2021	1-Mar-2022
9251	Philippines Seismic Risk Reduction and Resilience Project	USD	300,000,000	8-Sep-2021	15-Mar-2022

9271	Second Additional Financing for Philippine Rural Development Project	USD	280,000,000	19-Jul-2021	15-Jun-2022
9275	Philippines First Financial Sector Reform Development Policy Loan	USD	400,000,000	19-Jul-2021	15-Jun-2022

Conforming Revisions to Loan Agreements and General Conditions²

1. Relevant provisions of the Loan Agreements or General Conditions, as applicable, are revised as follows, or the following is added as a new provision to the relevant provisions of the Loan Agreements or General Conditions, as applicable:

“If interest on any amount of the Loan is based on a Reference Rate, and the Bank determines that (i) such Reference Rate has permanently ceased to be quoted for the relevant Currency, or (ii) the Bank is no longer able, or it is no longer commercially acceptable for the Bank, to continue to use such Reference Rate, for purposes of its asset and liability management, the Bank shall apply such other Reference Rate for the relevant Currency, including any applicable spread, as it may reasonably determine. The Bank shall promptly notify the Loan Parties of such other rate and related amendments to the provisions of the Loan Agreements, which shall become effective as of the date set forth in such notice.”³

2. As applicable, references to “LIBOR” and/or “EURIBOR” throughout the Loan Agreements and General Conditions are replaced with references to “Reference Rate”, as defined in Section 5 below, in accordance with the context.

3. As applicable, references to “Reference Rate Reset Date” throughout the Loan Agreements and General Conditions are replaced with references to “first day of the relevant Interest Period”.

4. As applicable, the definitions of “Financial Center”, “LIBOR”, “LIBOR Reset Date”, “London Banking Day”, “Reference Rate Reset Date”, “Relevant Telerate Page” and “TARGET Settlement Day” in the Loan Agreements or General Conditions are deleted.

5. As applicable, relevant definitions in the Loan Agreements or General Conditions are revised as follows, or the following definitions are added as new definitions to the Loan Agreements or General Conditions:

““EURIBOR” means for any Interest Period, the EUR interbank offered rate for deposits in EUR for six months, expressed as a percentage per annum, that appears on the Relevant Rate Page at the customary publication time as specified by the EURIBOR benchmark administrator in the EURIBOR benchmark methodology, as reasonably determined by the Bank for the relevant Interest Period.”

² Applicable to all Loan Agreements, except those indicated in footnote 3 below.

³ Relates to provisions of Section 3.02(c) of the General Conditions dated July 31, 2010 or later and equivalent provisions in the prior General Conditions or Loan Agreements, as applicable.

““Reference Rate” means, for any Interest Period:

- (a) (i) for USD, SOFR; (ii) for EUR, EURIBOR; (iii) for GBP, SONIA; and (iv) for JPY, TONA; provided that if the relevant Reference Rate is not available through the normal sources of information at the customary publication times in respect of the relevant Interest Period, the Bank shall reasonably determine such Reference Rate taking into account the prevailing market practice with respect to alternative methods for calculating the Reference Rate, their market representativeness and acceptability to the Bank for purposes of its asset and liability management, and notify the Borrower accordingly.
- (b) if the Bank determines that (i) the Reference Rate for the relevant Loan Currency has permanently ceased to be quoted for such currency, or (ii) the Bank is no longer able, or it is no longer commercially acceptable for the Bank, to continue to use such Reference Rate, for purposes of its asset and liability management, such other comparable reference rate for the relevant currency, including any applicable spread, as the Bank shall determine, and notify to the Borrower pursuant to Section 3.02 (c); and
- (c) for any currency other than USD, EUR, JPY and GBP: (i) such reference rate for the Original Loan Currency as shall be specified or referred to in the Loan Agreement; or (ii) in the case of a Currency Conversion to such other currency, such reference rate as shall be determined by the Bank in accordance with the Conversion Guidelines and notice thereof given to the Borrower in accordance with Section 4.01(c).”

““Relevant Rate Page” means the display page designated by an established financial market data provider selected by the Bank as the page for the purpose of displaying at customary publication times the Reference Rate (including any applicable spread to the relevant prior benchmark rate) for the Loan Currency.”

““SOFR” means for any Interest Period, the Secured Overnight Financing Rate (SOFR) for the relevant Interest Period (whether calculated on a term basis, or other basis designed to replicate a term structure, and which may include an applicable spread to the relevant prior benchmark rate), expressed as a percentage per annum, that appears on the Relevant Rate Page at customary publication times specified by the applicable benchmark administrator, as reasonably determined by the Bank for the relevant Interest Period.”

““SONIA” means for any Interest Period, the Sterling Overnight Index Average (SONIA) rate for the relevant Interest Period (whether calculated on a term basis, or other basis designed to replicate a term structure, and which may include an applicable spread to the relevant prior benchmark rate), expressed as a percentage per annum, that appears on the Relevant Rate Page at customary publication times specified by the applicable benchmark administrator, as reasonably determined by the Bank for the relevant Interest Period.”

““TONA” means for any Interest Period, the Tokyo Overnight Average Rate (TONA) for the relevant Interest Period, (whether calculated on a term basis, or other basis designed to replicate a term structure, and which may include an applicable spread to the relevant prior benchmark rate), expressed as a percentage per annum, that appears on the Relevant Rate Page at customary publication times specified by the applicable benchmark administrator, as reasonably determined by the Bank for the relevant Interest Period.”

““Variable Spread” means, for each Interest Period: (a) (1) the Bank’s standard lending spread for Loans established by the Bank in accordance with its policies in effect at 12:01 a.m. Washington, D.C. time, one calendar day prior to the date of the Loan Agreement (including the maturity premium, if applicable); and (2) plus or minus the adjusted weighted average margin to the Reference Rate, for the relevant Interest Period, in respect of the Bank’s outstanding borrowings or portions thereof allocated by it to fund loans that carry interest at a rate based on the Variable Spread; as reasonably determined by the Bank, expressed as a percentage per annum and periodically published by the Bank; and (b) in case of Conversions, the variable spread, as applicable, as determined by the Bank in accordance with Conversion Guidelines and notified to the Borrower pursuant to Section 4.01 (c). In the case of a Loan denominated in more than one Currency, “Variable Spread” applies separately to each of such Currencies.”

Conforming Revisions to Loan Agreements⁴

1. The relevant provisions of certain Loan Agreements specifying the applicable interest rate of the Loan based on LIBOR are revised as follows:

- (a) All references to “LIBOR Base Rate” are replaced with references to “Reference Rate”.
- (b) All references to “LIBOR Total Spread” are replaced with references to “Variable Spread”.
- (c) The definitions of “LIBOR Base Rate” and “LIBOR Total Spread” are deleted.
- (d) The following new definitions are added:

““EURIBOR” means for any Interest Period, the EUR interbank offered rate for deposits in EUR for six months, expressed as a percentage per annum, that appears on the Relevant Rate Page at the customary publication time as specified by the EURIBOR benchmark administrator in the EURIBOR benchmark methodology, as reasonably determined by the Bank for the relevant Interest Period.”

““Reference Rate” means, for any Interest Period:

⁴ Applicable only to legacy Single Currency Loans governed by the General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans of May 30, 1995 (also the versions as amended through October 6, 1999, December 2, 1997 and May 1, 2004), which refer to interest related provisions in the Loan Agreements.

- (a) (i) for USD, SOFR; (ii) for EUR, EURIBOR; (iii) for GBP, SONIA; and (iv) for JPY, TONA; provided that if the relevant Reference Rate is not available through the normal sources of information at the customary publication times in respect of the relevant Interest Period, the Bank shall reasonably determine such Reference Rate taking into account the prevailing market practice with respect to alternative methods for calculating the Reference Rate, their market representativeness and acceptability to the Bank for purposes of its asset and liability management, and notify the Borrower accordingly.
- (b) if the Bank determines that (i) the Reference Rate for the relevant Loan Currency has permanently ceased to be quoted for such currency, or (ii) the Bank is no longer able, or it is no longer commercially acceptable for the Bank, to continue to use such Reference Rate, for purposes of its asset and liability management, such other comparable reference rate for the relevant currency, including any applicable spread, as the Bank shall determine, and notify to the Borrower pursuant to the Loan Agreement.”

““Relevant Rate Page” means the display page designated by an established financial market data provider selected by the Bank as the page for the purpose of displaying at customary publication times the Reference Rate (including any applicable spread to the relevant prior benchmark rate) for the Loan Currency.”

““SOFR” means for any Interest Period, the Secured Overnight Financing Rate (SOFR) for the relevant Interest Period (whether calculated on a term basis, or other basis designed to replicate a term structure, and which may include an applicable spread to the relevant prior benchmark rate), expressed as a percentage per annum, that appears on the Relevant Rate Page at customary publication times specified by the applicable benchmark administrator, as reasonably determined by the Bank for the relevant Interest Period.”

““SONIA” means for any Interest Period, the Sterling Overnight Index Average (SONIA) rate for the relevant Interest Period (whether calculated on a term basis, or other basis designed to replicate a term structure, and which may include an applicable spread to the relevant prior benchmark rate), expressed as a percentage per annum, that appears on the Relevant Rate Page at customary publication times specified by the applicable benchmark administrator, as reasonably determined by the Bank for the relevant Interest Period.”

““TONA” means for any Interest Period, the Tokyo Overnight Average Rate (TONA) for the relevant Interest Period, (whether calculated on a term basis, or other basis designed to replicate a term structure, and which may include an applicable spread to the relevant prior benchmark rate), expressed as a percentage per annum, that appears on the Relevant Rate Page at customary publication times specified by the applicable benchmark administrator, as reasonably determined by the Bank for the relevant Interest Period.”

““Variable Spread” means, for each Interest Period: (a) (1) the Bank’s standard lending spread for Loans established by the Bank in accordance with its policies in effect at 12:01 a.m. Washington, D.C. time, one calendar day prior to the date of the Loan Agreement (including the maturity premium, if applicable); and (2) plus or minus the adjusted weighted average margin to the Reference Rate, for the relevant Interest Period, in respect of the Bank’s outstanding borrowings or portions thereof allocated by it to fund loans that carry interest at a rate based on the Variable Spread; as reasonably determined by the Bank, expressed as a percentage per annum and periodically published by the Bank; and (b) in case of Conversions, the variable spread, as applicable, as determined by the Bank in accordance with Conversion Guidelines and notified to the Borrower pursuant to Section 4.01 (c). In the case of a Loan denominated in more than one Currency, “Variable Spread” applies separately to each of such Currencies.”

- (e) The relevant provision of certain Loan Agreements, which states: “The Bank shall notify the Borrower and the Guarantor of LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.” shall be deleted and replaced with the following:

“The Bank shall notify the Borrower and the Guarantor of the relevant interest rate on any withdrawn and outstanding amounts of the Loan for each Interest Period promptly upon its determination.”

- (f) The following new provision shall be added to the interest rate related provisions of the Loan Agreement:

“If the Bank determines that (i) the Reference Rate has permanently ceased to be quoted for the relevant Currency, or (ii) the Bank is no longer able, or it is no longer commercially acceptable for the Bank, to continue to use such Reference Rate, for purposes of its asset and liability management, the Bank shall apply such other Reference Rate for the relevant Currency, including any applicable spread, as it may reasonably determine. The Bank shall promptly notify the Borrower and the Guarantor of such other rate and related amendments to the provisions of the Loan Agreements, which shall become effective as of the date set forth in such notice.”