

CONFORMED COPY

LOAN NUMBER 3997 PH

Loan Agreement

(Transmission Grid Reinforcement Project
Floating Rate Single Currency Loan)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

NATIONAL POWER CORPORATION

Dated May 15, 1996

LOAN NUMBER 3997 PH

FLOATING RATE SINGLE CURRENCY LOAN AGREEMENT

AGREEMENT, dated May 15, 1996, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the "Bank") and NATIONAL POWER CORPORATION (the "Borrower").

WHEREAS Republic of the Philippines (the "Guarantor") and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to an agreement of even date herewith between the Borrower and the Bank (the "Currency Pool Loan Agreement"), have requested the Bank to assist in the financing of the Project;

WHEREAS By an agreement (the "Guarantee Agreement") of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the floating rate single currency loan to be provided to the Borrower by the Bank pursuant to the terms of this Agreement (the "FIRSC Loan") and to undertake such other obligations as set forth in the Guarantee Agreement;

WHEREAS: (A) by the Currency Pool Loan Agreement, the Bank has agreed to provide a loan equal to one hundred million dollars (\$100,000,000) (the "Currency Pool Loan") to assist in the financing of the Project on the terms and conditions set forth in the Currency Pool Loan Agreement;

(B) by an agreement of even date herewith between the Guarantor and the Bank (the "Currency Pool Guarantee Agreement"), the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Currency Pool Loan and to undertake such other obligations as set forth in the Currency Pool Guarantee Agreement;

(C) the Borrower has obtained from the Asian Development Bank

(the "ADB") a loan (the "ADB Loan") in an amount equivalent to two hundred and forty four million dollars (\$244,000,000) to assist in financing Part A of the Project, on the terms and conditions set forth in an agreement (the "ADB Loan Agreement") dated November 27, 1995 entered into between ADB and the Borrower;

(D) the Borrower has obtained from the Kreditanstalt fur Wiederaufbau (the "KfW") a loan (the "KfW Loan") in an amount equivalent to fifty million ninety eight thousand Deutsche mark (DM 50,098,000) to assist in financing Part A of the Project, on the terms and conditions set forth in an agreement (the "KfW Loan Agreement") dated December 14, 1995, entered into between KfW and the Borrower;

(E) the Borrower intends to contract from the Export-Import Bank of Japan (the "JEXIM") a loan (the "JEXIM Loan") in an amount equivalent to two hundred and forty four million dollars (\$244,000,000), to assist in financing Part A of the Project, on the terms and conditions set forth in an agreement (the "JEXIM Loan Agreement") to be entered into between the JEXIM and the Borrower; and

WHEREAS The Bank has agreed, on the basis, inter alia, of the foregoing, to extend the FIRSC Loan to the Borrower upon the terms and conditions set forth in this Agreement.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans" of the Bank, dated May 30, 1995, with the modifications set forth below (the "General Conditions"), constitute an integral part of this Agreement:

(a) the term "Loan Agreement", wherever used in the General Conditions, means the Floating Rate Single Currency Loan Agreement;

(b) the term "Loan", wherever used in the General Conditions, means the FIRSC Loan; and

(c) the term "Loan Account", wherever used in the General Conditions, shall be read as "FIRSC Loan Account".

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions, in the Preamble to this Agreement and in the Currency Pool Loan Agreement have the respective meanings therein set forth and the term "Currency Pool Loan Agreement" means the currency pool loan agreement of even date herewith between the Borrower and the Bank for the Project, as such agreement may be amended from time to time, and such term includes the "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank dated January 1, 1985, as applied to such agreement, and all schedules and agreements supplemental to the Currency Pool Loan Agreement.

ARTICLE II

The FIRSC Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount equal to one hundred fifty million dollars (\$150,000,000).

Section 2.02. (a) The amount of the FIRSC Loan may be withdrawn from the FIRSC Loan Account in accordance with the provisions of Schedule 1 to the Currency Pool Loan Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the FIRSC Loan.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in a commercial bank

specifically authorized for this purpose by the Bangko Sentral ng Pilipinas on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the FIRSC Special Account shall be made in accordance with the provisions of Schedule 2 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2000, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the FIRSC Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to LIBOR Base Rate plus LIBOR Total Spread.

(b) For the purposes of this Section:

- (i) "Interest Period" means the initial period from and including the date of this Agreement, to, but excluding, the first Interest Payment Date occurring thereafter, and after the initial period, each period from and including an Interest Payment Date to, but excluding the next following Interest Payment Date.
- (ii) "Interest Payment Date" means any date specified in Section 2.06 of this Agreement.
- (iii) "LIBOR Base Rate" means, for each Interest Period, the London interbank offered rate for six-month deposits in Dollars for value the first day of such Interest Period (or, in the case of the initial Interest Period, for value the Interest Payment Date occurring on or next preceding the first day of such Interest Period), as reasonably determined by the Bank and expressed as a percentage per annum.
- (iv) "LIBOR Total Spread" means, for each Interest Period:
(A) one half of one percent ($1/2$ of 1%); (B) minus (or plus) the weighted average margin, for such Interest Period, below (or above) the London interbank offered rates, or other reference rates, for six-month deposits, in respect of the Bank's outstanding borrowings or portions thereof allocated by the Bank to fund single currency loans or portions thereof made by it that include the FIRSC Loan; as reasonably determined by the Bank and expressed as a percentage per annum.

(c) The Bank shall notify the Guarantor and the Borrower of the LIBOR Base Rate and LIBOR Total Spread for each Interest Period, promptly upon the determination thereof.

(d) Whenever, in light of changes in market practice affecting the determination of the interest rates referred to in this Section 2.05, the Bank determines that it is in the interest of its borrowers as a whole and of the Bank to apply a basis for determining the interest rates applicable to the FIRSC Loan other than as provided in said Section, the Bank may modify the basis for determining the interest rates applicable to amounts of the FIRSC Loan not yet withdrawn upon not less than six (6) months' notice to the Borrower of the new basis. The basis shall become effective on the expiry of the notice period unless the Borrower notifies the Bank during said period of its objection thereto, in which case said modification shall not apply to the FIRSC Loan.

Section 2.06. Interest and other charges shall be payable February 15 and August 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the FIRSC Loan in accordance with the amortization schedule set forth in Schedule I to this Agreement.

ARTICLE III

Execution of the Project

Section 3.01. Sections 3.01 and 3.02 and Articles IV and V of the Currency Pool Loan Agreement and Schedules 1, 2, 4 and 5 thereto are hereby incorporated in this Agreement, with the following modifications in said Sections and Articles and in said Schedules 2, 4 and 5, unless the context otherwise requires: (i) the term "Loan" shall be read as "FIRSC Loan"; and (ii) the term "this Agreement" shall be read as "the Currency Pool Loan Agreement".

ARTICLE IV

Remedies of the Bank

Section 4.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional events are specified, namely the events set out in Section 6.01 of the Currency Pool Loan Agreement.

Section 4.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely, the events set out in Section 6.02 of the Currency Pool Loan Agreement.

ARTICLE V

Effective Date; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01 (c) of the General Conditions, namely, that all conditions precedent to the effectiveness of each of the Currency Pool Loan Agreement, the ADB Loan Agreement, the JEXIM Loan Agreement and the KfW Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The President of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

248423 (MCI)
64145 (MCI)

For the Borrower:

National Power Corporation
Quezon Avenue
Diliman, Quezon City
Republic of the Philippines

Cable address:

NAPOCOR
Manila

Telex:

742-40120 (PM)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Nicholas C. Hope
Acting Regional Vice President
East Asia and Pacific

NATIONAL POWER CORPORATION

By /s/ Raul Ch. Rabe
Authorized Representative

SCHEDULE 1

Amortization Schedule

Date Payment Due	Payment of Principal (Expressed in Dollars)*
August 15, 2001	3,155,000.00
February 15, 2002	3,250,000.00
August 15, 2002	3,345,000.00
February 15, 2003	3,450,000.00
August 15, 2003	3,550,000.00
February 15, 2004	3,655,000.00
August 15, 2004	3,765,000.00
February 15, 2005	3,880,000.00
August 15, 2005	3,995,000.00
February 15, 2006	4,115,000.00
August 15, 2006	4,240,000.00
February 15, 2007	4,365,000.00
August 15, 2007	4,495,000.00
February 15, 2008	4,630,000.00
August 15, 2008	4,770,000.00
February 15, 2009	4,910,000.00
August 15, 2009	5,060,000.00
February 15, 2010	5,210,000.00
August 15, 2010	5,365,000.00
February 15, 2011	5,530,000.00
August 15, 2011	5,695,000.00
February 15, 2012	5,865,000.00
August 15, 2012	6,040,000.00
February 15, 2013	6,220,000.00
August 15, 2013	6,405,000.00
February 15, 2014	6,600,000.00
August 15, 2014	6,795,000.00
February 15, 2015	7,000,000.00
August 15, 2015	7,210,000.00
February 15, 2016	7,435,000.00

* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 4.04(d) of the General Conditions.

SCHEDULE 2

FIRSC Special Account

1. For the purposes of this Schedule:

(a) The term "Eligible Categories" means Categories 1, 2, 3, 4, and 5 set forth in the table in paragraph 1 of Schedule 1 to the Currency Pool Loan Agreement;

(b) The term "Eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the FIRSC Loan allocated from time to time to the Eligible Categories in accordance with the provisions of Schedule 1 to the Currency Pool Loan Agreement;
and

(c) The term "Authorized Allocation" means an amount equivalent to one million dollars (\$1,000,000) to be withdrawn from the FIRSC Loan Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to two hundred thousand dollars (\$200,000) until the aggregate amount of withdrawals from the FIRSC Loan Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of five million dollars (\$5,000,000).

2. Payments out of the FIRSC Special Account shall be made exclusively for Eligible Expenditures in accordance with the provisions of this Schedule.

3. After the Bank has received evidence satisfactory to it that the FIRSC Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the FIRSC Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the FIRSC Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the FIRSC Loan Account and deposit into the FIRSC Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the FIRSC Special Account, the Borrower shall furnish to the Bank requests for deposits into the FIRSC Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the FIRSC Loan Account and deposit into the FIRSC Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the FIRSC Special Account for Eligible Expenditures.

All such deposits shall be withdrawn by the Bank from the FIRSC Loan Account under the respective Eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the FIRSC Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Bank shall not be required to make further deposits into the FIRSC Special Account:

(a) If, at any time, the Bank shall have determined that all further withdrawals should be made by the Borrower directly from the FIRSC Loan Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

(b) If the Borrower shall have failed to furnish to the Bank, within the period of time specified in Section 5.01 (b) (ii) of the Currency Pool Loan Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of the records and accounts for the FIRSC Special Account;

(c) If, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the FIRSC Loan Account pursuant to the provisions of Section 6.02 of the General Conditions; or

(d) Once the total unwithdrawn amount of the FIRSC Loan allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the FIRSC Loan Account of the remaining unwithdrawn amount of the FIRSC Loan allocated to the Eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the FIRSC Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

6. (a) If the Bank shall have determined at any time that any payment out of the FIRSC Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the FIRSC Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the FIRSC Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the FIRSC Special Account will not be required to cover further payments for Eligible Expenditures, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the FIRSC Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the FIRSC Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

