

[EXECUTIVE ORDER NO. 198, February 04, 2016]

APPROVING THE MERGER OF THE DEVELOPMENT BANK OF THE PHILIPPINES AND THE LAND BANK OF THE PHILIPPINES

WHEREAS, Section 17 of Article VII of the 1987 Constitution provides that the President shall have control of all the executive departments, bureaus, and offices, and that he shall ensure that the laws be faithfully executed;

WHEREAS, Section 2 of Republic Act (RA) No. 10149, otherwise known as the "GOCC Governance Act of 2011," provides that the State recognizes the potential of Government-Owned or -Controlled Corporations (GOCCs) as significant tools for economic development, and that it is the policy of the State to actively exercise its ownership rights in GOCCs to promote growth by ensuring that their operations are consistent with national development policies and programs, and that said operations are rationalized and monitored centrally in order that government assets and resources are used efficiently;

WHEREAS, Section 5(a) of the GOCC Governance Act of 2011 empowers the Governance Commission for GOCCs (GCG) to ascertain whether GOCCs should be merged, and upon such determination that it is to the best interest of the State that such GOCCs should be merged, it shall implement the same, unless otherwise directed by the President;

WHEREAS, the Development Bank of the Philippines (DBP), created as the Rehabilitation Finance Corporation pursuant to RA 85 as amended by Executive Order No. 81 (s. 1986) and RA 8523, has the primary purpose of providing banking services for the medium- and long-term needs of small and medium enterprises (SMEs) in the agricultural and industrial sector, particularly those operating in the countryside;

WHEREAS, the Land Bank of the Philippines (LBP), created pursuant to RA 3844 as amended by RA 7907, has the primary purpose of financing the acquisition and distribution of agricultural estates for division and resale to small landholders as well as the purchase of landholdings by agricultural lessees, and is designated by RA 6657 as the financial intermediary for the Comprehensive Agrarian Reform Program (CARP);

WHEREAS, the GCG has determined that it is in the best interest of the State to merge DBP and LBP, with the latter as the surviving entity, based on the following:

- a) The functions of DBP and LBP duplicate and/or unnecessarily overlap with one another;
- b) The merger of DBP and LBP will further enhance the financing of priority projects and sectors such as infrastructure, public services, agriculture/agrarian reform and

SMEs;

c.) The merger of DBP and LBP will provide better access and extend quality financial services and products to more unbanked and underserved areas; and

d.) The merger of DBP and LBP will build a stronger and more competitive universal development bank able to fulfill its mandate of providing banking services to propel countryside development and to contribute to sustainable and inclusive growth.

WHEREAS, the Boards of Directors of DBP and LBP have respectively adopted Resolutions on 25 March 2015 and 23 March 2015, agreeing to the merger of the two (2) banks;

WHEREAS, Section 81 of RA 3844, as amended by Section 4 of RA 7907, provides that the LBP Board, upon the recommendation of the Secretary of the Department of Finance (DOF) and with the approval of the President, may increase the capitalization of LBP up to such amount as may be necessary to attain the objectives of RA 3844; and

WHEREAS, the DOF Secretary has endorsed and recommended the approval of the request of LBP to increase its authorized capital stock from P25 Billion to P200 Billion in preparation for its proposed merger with DBP.

NOW, THEREFORE I, BENIGNO S. AQUINO III, President of the Republic of the Philippines, by virtue of the powers vested in me by law, do hereby order:

SECTION 1. Declaration of Policy. There is a need to rationalize the operation of government agencies and government financial institutions (GFIs) to strengthen their financial capabilities, to improve the delivery of services, to achieve economic efficiency and to support the development thrust of the government. Towards this end, the State shall therefore:

a) Recognize the importance of strengthening GFIs in preparation for regional economic integration;

b) Encourage sustainable growth and development in capital and credit facilities of GFIs for the benefit and protection of the public;

c) Ensure that the social mandate of providing assistance to priority sectors, including farmers and fisherfolk, agrarian reform beneficiaries and SMEs, is continuously fulfilled, and that investments are amply protected.

SECTION 2. Operational Merger of the Development Bank of the Philippines and the Land Bank of the Philippines. The operational merger of DBP and LBP, through the transfer of assets and liabilities of DBP to LBP as the surviving entity, is hereby approved, subject to the written consent of the Philippine Deposit Insurance Corporation and approval of the Bangko Sentral ng Pilipinas (BSP). All reference to the terms "merger" or "merged banks," as used in this Order, shall be understood as referring to the above-stated operational merger.

SECTION 3. Increase in the Authorized Capital Stock of LBP. As recommended by the DOF, the increase in the authorized capital stock of LBP to Two Hundred