

*Republic of the Philippines*  
*House of Representatives*  
*Quezon City, Metro Manila*

Sixteenth Congress  
Second Regular Session

HOUSE BILL NO. **5428**



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**Introduced by Henry S. Oaminal**

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### **EXPLANATORY NOTE**

This bill seeks to consolidate the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) into a new single government banking institution to be known as the Philippine Agricultural and Development Bank (PADB).

Financing institutions play a vital role in the quest for sustainable growth and development in the country. However, it is likewise recognize that the creation of more financially-stable banks has become imperative after the Asian currency crisis, thereby encouraging mergers, consolidations and acquisitions in the Philippine banking industry.

Government banks are not spared of this need for financial viability and strength, the merger or consolidation of government banks is encouraged to be at par with other commercial and universal banks.

The consolidation of the Land Bank of the Philippines and the Development Bank of the Philippines into a new single banking institution is highly commendable and highly lucrative as well for both state-owned banks. For one, the Governance Commission for GOCCs says that the purposes of both banks "duplicate and unnecessarily overlap with one another". For instance, both banks provide financing to agricultural and industrial enterprises among many other functions. These two banks operating under one banking institution should give the State and the Filipinos one bank to focus on when operating and availing these financing services.

Other benefits of the consolidation include:

- Both banks combined branch networks will give PADB a wider reach. LBP has 337 branches while DBP has 104. More branches across the Philippines will be beneficial to the consumers.
- Redundant branches on the same area may be closed down. This will mean additional savings that can be used to improve existing branches or open more branches on remote areas.
- The consolidated bank will be more effective, efficient and sustainable in carrying out the mandates of both banks against foreign banks that may enter the Philippine market after the Southeast Asia integration by 2015.

The fusion of the LBP and DBP will allow these two banks to continue fulfilling their development and social mandate meaningfully and vigorously this time. The consolidation of the banking activities of the two banks is therefore expected to result in the financial and administrative efficiency of banking operations. The consolidation of the two banks into a new single banking institution will move the PADB to a more competitive position and is expected to help a greater number of people and reach out more areas of concern.

In view of the foregoing considerations, immediate approval of this bill is earnestly sought.



**HENRY S. OAMINAL**

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*House of Representatives*  
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**AN ACT**  
**CONSOLIDATING THE LAND BANK OF THE PHILIPPINES AND THE**  
**DEVELOPMENT BANK OF THE PHILIPPINES INTO A NEW SINGLE**  
**BANKING INSTITUTION TO BE KNOWN AS THE PHILIPPINE**  
**AGRICULTURAL AND DEVELOPMENT BANK.**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

SECTION 1. ***Declaration of Policy.***- It is hereby declared the policy of the state 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 trust of the government. Thus, the State shall:

- a. Recognize the importance to strengthen the government financial institutions to give it a competitive edge over other banks not only in the domestic but in the global market as well;
- b. Encourage sustainable growth and development in capital and credit facilities in our government financial institution thereby achieving a sound, stable



and efficient government banking facility for the protection of the public; and

c. Ensure that the social mandate of providing assistance to priority sectors are continuously fulfilled and investments are amply protected.

**SEC. 2. *Consolidation of the Land Bank of the Philippines and the Development Bank of the Philippines.***- The Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) are hereby consolidated into a new single government banking institution to be known as the Philippine Agricultural and Development Bank (PADB).

All assets and liabilities of LBP and DBP are hereby consolidated and transferred to PADB.

The LDBP shall exercise all the powers of LBP under Republic Act No. 3844 otherwise known as the “Agricultural land Reform Code” as amended and the DBP under Executive Order No. 81 dated December 3, 1986 also known as the 1986 Revised Charter of DBP as amended by Republic Act No.8523 dated February 14, 1998.

**SEC.3. *Capital Structure.*** – The existing capital of LBP and DBP shall be consolidated , provided, however, that the consolidated existing authorized stock of LBP and DBP which is in the amount of Sixty Billion Pesos (Php60,000,000,000.00) shall be increased to One Hundred Billion Pesos (Php100,000,000,000.00). The increased of Forty Billion Pesos

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(Php40,000,000,000.00) shall consist of 400,000 common shares with par value of One Hundred Pesos (Php100.00) per share.

SEC.4. *Tax exemption.*- The consolidation of LBP and DBP including all aspects of implementation thereof shall be exempt from the payment of all national and local taxes, fees and charges, including, the income tax, capital gains tax, creditable withholding tax, gross receipts tax, local transfer tax, documentary stamp taxes, and registration fees. The shares of stock to be issued out of the increase of the authorized capital stock of DBP shall be exempt from the payment of the documentary stamp taxes.

SEC. 5. *Implementing Agencies of the Consolidation.* – The Bangko Sentral ng Pilipinas, the Department of Finance and the Bureau of Internal Revenue are hereby directed to promptly implement the provisions of this Act.

SEC. 6. *Effects of the Consolidation to existing Laws.*- The provisions of the Corporation Code of the Philippines on Consolidation shall have suppletory effect on this Act.

The provisions of Republic Act No. 3844 otherwise known as the “Agricultural land Reform Code” as amended by Republic Act No. 6389, and Executive Order No. 81 also known as the “1986 Revised Charter of the Development Bank of the Philippines as amended, are hereby amended accordingly.

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SEC. 7. *Repealing Clause.* – Republic Act No. 3844, Republic Act No. 6389, and Executive Order No. 81 are hereby amended accordingly. All other laws, orders, decrees, issuances, rules and regulations inconsistent herewith are repealed or modified accordingly.

SEC. 8. *Effectivity.* - This Act shall take effect fifteen (15) days after publication in the Official Gazette or in a newspaper of general circulation.

Approved,

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