



MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 142

APPROVING THE MERGER OF THE LAND BANK OF THE PHILIPPINES (LBP) AND THE UNITED COCONUT PLANTERS BANK (UCPB), AND THE ACQUISITION BY THE LBP OF THE SPECIAL PREFERRED SHARES OF THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC) IN THE UCPB

WHEREAS, Section 2 of Republic Act (RA) No. 11524 or the "Coconut Farmers and Industry Trust Fund Act," declares it a policy of the State to consolidate the benefits due to coconut farmers under various statutes, and expedite the delivery thereof to attain increased incomes for coconut farmers, alleviate poverty, and achieve social equality;

WHEREAS, Section 2 of RA No. 10149 or the "GOCC Governance Act of 2011," provides that it is the policy of the State to actively exercise its ownership rights in government-owned or -controlled corporations (GOCCs) to promote growth by ensuring that 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 RA No. 10149 empowers the Governance Commission for GOCCs (GCG) to determine whether it is to the best interest of the State that certain GOCCs be merged, based on its evaluation of the performance and relevance of these GOCCs;

WHEREAS, Section 28 of RA No. 10149 provides that any government agency or GOCC seeking to purchase a corporation or acquire controlling interest therein shall submit its proposal to the GCG for review and approval of the President;

WHEREAS, through Presidential Decree (PD) No. 251 (s. 1973), the LBP was granted universal banking powers with expanded activities, including lending to agricultural, industrial, and home financing projects and other productive enterprises;

WHEREAS, the UCPB, a bank originally acquired for the benefit of coconut farmers, remains the subject of rehabilitation pursuant to a Memorandum of Agreement among the Republic of the Philippines, the Presidential Commission on Good Government (PCGG), the PDIC, and the UCPB, involving financial assistance from the PDIC in the amount of ₱12 Billion in the form of capital notes that were converted into special preferred shares with par value of ₱12 Billion;

WHEREAS, due in part to their shared objectives and interrelated mandates, the merger of the LBP and the UCPB, with the LBP as surviving entity, was considered and studied; after which, it was found that such merger will significantly strengthen capability to

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deliver financial services to the coconut industry and the entire agricultural sector, contribute to economic sufficiency, foster countryside development and financial inclusion, and promote stability in the country's banking system;

WHEREAS, on 08 February 2021, the Board of Directors of the PDIC approved the sale of its Special Preferred Shares in the UCPB to the LBP, for ₱12 Billion, payable with a negotiable debt instrument issued in favor of the PDIC;

WHEREAS, the GCG *en banc* favorably endorsed the (i) proposed acquisition by the LBP of Special Preferred Shares of the PDIC in the UCPB, representing 88.91% of the latter's authorized capital stock; and (ii) merger of the UCPB with the LBP, subject to the conditions and requisite prior approvals and clearances under existing laws and regulations;

WHEREAS, the Monetary Board, in its Resolution No. 618 dated 20 May 2021, approved the request of the LBP and PDIC for the LBP to acquire PDIC's Special Preferred Shares totaling 88.91% of the voting shares in the UCPB, with a total par value of ₱12 Billion;

WHEREAS, the plans and projections for the intended merger of LBP and UCPB assume, as one of their premises, that the operational merger between LBP and the Development Bank of the Philippines, previously approved in 2016, will no longer be pursued; and

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

NOW, THEREFORE, I, RODRIGO ROA DUTERTE, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution and existing laws, do hereby order:

SECTION 1. Merger of UCPB with LBP. The merger of the UCPB with the LBP is hereby approved, with the LBP as surviving entity, subject to the requisite approvals from the Securities and Exchange Commission, and to the conditions and limitations under RA No. 11524 and RA No. 11232 or the "Revised Corporation Code of the Philippines."

Except as otherwise prescribed under Section 2 hereof, the UCPB and the LBP shall, in consultation with the GCG, determine the mode of merger and implement the same with the approval of relevant regulatory agencies. All assets and liabilities of the UCPB shall be transferred to the LBP.

All other government offices and agencies are hereby directed to promptly take such actions as may be necessary, subject to applicable laws and regulations, to fully implement the provisions of this Order within six (6) months from its effectivity.

SECTION 2. Acquisition of Outstanding UCPB Shares. The LBP shall acquire the outstanding Special Preferred Shares held by the PDIC in the UCPB, taking into account the recovery of PDIC's financial assistance to the UCPB, the valuation of the shares by the PDIC and LBP for this purpose, and the LBP's return on equity. It is understood that this approval shall be without prejudice to the terms and conditions set forth by the PDIC in its 08 February 2021 approval of the sale to the LBP of its Special Preferred Shares.

SECTION 3. Integration Plan. The UCPB and LBP shall prepare and implement an integration plan towards the full implementation of the merger, in accordance with existing laws and regulations.

SECTION 4. Reorganization. The LBP may adopt and implement a reorganization plan as may be approved by the LBP Board of Directors, subject to the requirements of RA No. 10149 and the rules and regulations of the GCG. LBP personnel who may be separated from the service as a consequence of the reorganization, may be entitled to such separation incentives as may be fixed by the LBP Board of Directors.

The personnel of UCPB who may be separated from service as a consequence of the merger, shall be paid separation benefits by the UCPB pursuant to the guidelines it may adopt and applicable laws and rules. Whenever applicable, such personnel may be hired by the LBP, subject to the possession of the necessary civil service eligibility, and other requirements prescribed for the position.

SECTION 5. Repeal. Sections 2, 4 and 5 of Executive Order No. 198 (s. 2016) are hereby repealed. All other orders, rules and regulations, issuances or any part thereof, which are inconsistent with the provisions of this Order, are hereby repealed or modified accordingly.

SECTION 6. Separability. Should any part or provision of this Order be held unconstitutional or invalid, the other portions not affected thereby shall continue to be in force and effect.

SECTION 7. Effectivity. This Order shall take effect immediately upon publication in the Official Gazette or in a newspaper of general circulation.

DONE, in the City of Manila, this **25th** day of **June**, in the year of our Lord, Two Thousand and Twenty-One.

By the President:


SALVADOR C. MEDIALDEA
Executive Secretary

