

124-C LIMITATIONS/AMOUNT AVAILABLE FOR DIVIDENDS DECLARED BY RURAL BANKS AND COOPERATIVE BANKS

The following rules shall also govern the declaration of dividends by RBs and Coop Banks.

- a. *Reserve for retirement of government preferred stock.* In addition to the requirements prescribed in Sec. 124 (*Requirements on the declaration of dividends*), an RB/Coop Bank may declare cash dividends only if the amount of its reserve for retirement of government preferred stock is at least equal to the amount which should have been accumulated had the bank transferred annually to the reserve account from its undivided profits an amount equal to at least an average of one-tenth (1/10) of the total amount of preferred stock; and
- b. *Applicability of other laws, rules and regulations for Coop Banks.* Coop Banks shall, likewise, comply with the provisions governing the distribution of net surplus as provided under Article 86 of R.A. 9520, the Coop Bank's By-laws as other laws, rules and regulations.
- c. Dividends on government shares for RBs
 - (1) Held prior to 09 June 1992. Whenever dividends of not less than fourteen percent (14%) are declared on common stock, government preferred stock shall be entitled to a cash dividend not to exceed two percent (2%) of total outstanding preferred stock. Should the dividends declared on common stock be less than fourteen percent (14%), the dividend on preferred stock shall be proportionately reduced.
 - (2) Held on or after 09 June 1992. Shares held by the LBP, DBP, or by any government-owned or-controlled bank or FI shall share in dividend distributions from the date of issuance in the amount of four percent (4%) on the first and second years; six percent (6%) on the third and fourth years; eight percent (8%) on the fifth and sixth years; ten percent (10%) on the seventh and eighth years; and twelve percent (12%) on the ninth to the fifteenth years, which shall be cumulative: *Provided*, That the RB and the government-owned or controlled bank are not precluded from entering into an agreement providing for rates of dividends other than those prescribed by law.
 - (3) Held on or after 13 September 2013. Shares held by the LBP, DBP, or by any government-owned or -controlled bank or FI shall share in dividend distributions from the date of issuance in an amount based on the lending benchmark approved by the Bangko Sentral plus the prevailing non-prime spread of the government FI: *Provided*, That the RB and the government-owned or -controlled bank are not precluded from entering into an agreement providing for rates of dividends other than those prescribed by law.