

GUIDELINES ON THE SUBMISSION OF APPLICATION FOR MERGER AND CONSOLIDATION

(Appendix to Sec. 104 on Requirement of Bangko Sentral Approval)

The following guidelines and procedures shall be observed by banks in their application for merger/consolidation:

1. The merging/consolidating entities shall comply with the safety and soundness test requirements as follows:
 - a. Compliance, especially by the acquiring bank, with major banking laws and regulations; and
 - b. Submission to the Bangko Sentral of a satisfactory action plan, if applicable, to address serious supervisory concerns.

2. Submission of the following documentary requirements simultaneously to the Bangko Sentral and the PDIC for merger/consolidation application involving a bank; and to the Bangko Sentral for application involving only banks:
 - a. Articles of Merger or Consolidation duly signed by the President or Vice- President and certified by the secretary or assistant secretary of each of the constituent institutions setting forth the following as required in Section 78 of the Corporation Code:
 - The Plan of Merger or Consolidation;
 - The number of shares outstanding; and
 - The number of shares voting for and against the Plan, respectively.

 - b. Plan of Merger or Consolidation setting forth the following:
 - The names of the constituent institutions;
 - The terms of the merger or consolidation and the mode of carrying the same into effect;
 - A statement of the changes, if any, in the Articles of Incorporation of the surviving institution in the case of merger; and in the case
 - Of consolidation, all the statements required to be set forth in the Articles of Incorporation;
 - Such other provisions with respect to the proposed merger or consolidation as are deemed necessary or desirable.

 - c. Resolution of the Board of Directors of the respective institutions approving the Plan of Merger or Consolidation. The resolution shall be certified under oath by the respective corporate secretaries of the constituent institutions;

- d. Resolution of the meeting of the stockholders in which at least two-thirds (2/3) of the outstanding capital stock of each corporation have approved the plan of merger or consolidation. The resolution shall be certified under oath by the respective corporate secretaries of the constituent institutions;
- e. Financial Statements:
- Latest financial statements and three- year audited financial statements of the merging institutions
 - Three (3) - year financial projections with valid assumptions of the merged or consolidated institutions' balance sheet and income statement.
- f. List of merger incentives the bank will avail of (see Annex A for the sample list of merger incentives);
- g. List of stockholdings of each of the constituent institutions before and after the merger;
- h. List of directors and officers of each of the merging/consolidating institutions;
- i. List of proposed officers and directors of the merged or consolidated institution and the summary of their qualifications;
- j. Organizational chart of the merged or consolidated institution including the number of offices and locations thereof;
- k. Inter-company transactions relative to the submitted Financial Statements;
- l. Computation of Capital Adequacy Ratio on the submitted financial Statements;
- m. Viable Operational Plan with the following components:
- Marketing Strategies
 - Proposed Loan Portfolio Diversification
 - Deposit Generation
 - Proposed Improvements in Accounting System
 - Operational Control
 - Computerization Plan
 - Communication System

- n. The appraiser's report of reappraisal of bank premises, if any, done by an independent and licensed appraiser;
 - o. Proposed increase of capital stock of surviving bank;
 - p. Proposed amendments in the Articles of Incorporation of surviving bank;
 - q. Director's Certificate (surviving bank) on the proposed amendment of the Articles of Incorporation increasing the authorized capital stock; and
 - r. Any other reasonable requirement deemed material in the proper evaluation of the merger or consolidation as may subsequently be requested by the Bangko Sentral and/or PDIC.
3. For merger/consolidation involving a bank, the Bangko Sentral shall wait for PDIC consent before elevating the proposed merger/consolidation to the Monetary Board for approval; and
4. The authority given to merge/ consolidate the constituent entities shall be valid within six (6) months reckoned after Bangko Sentral approval.