

PROVIDING FOR THE 1975 REVISED CHARTER OF THE PHILIPPINE NATIONAL BANK.

PRESIDENTIAL DECREE NO. 694, May 08, 1975

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WHEREAS, the Philippine National Bank is an instrument of national monetary policy with a significant role in the economic development of the country under the program of the New Society;

WHEREAS, there is a pressing need for further revising the Charter of the Philippine National Bank to enable it to effectively carry out the task of providing the necessary financing for economic development:

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby decree and order the 1975 Revised Charter of the Philippine National Bank as follows:

THE 1975 REVISED CHARTER OF THE PHILIPPINE NATIONAL BANK

SECTION 1. This Decree shall be known as "THE 1975 REVISED CHARTER OF THE PHILIPPINE NATIONAL BANK."

SECTION 2. Name - Domicile and place of business - Branches, agencies and other offices. -There is hereby created a bank to be known as the Philippine National Bank. Its principal domicile and place of business shall be in the Greater Manila Area. It may open and maintain branches, agencies or other offices at such places in the Philippines or abroad as its Board of Directors may deem feasible, with the prior approval of the Monetary Board of the Central Bank of the Philippines.

CORPORATE POWERS

SECTION 3. Corporate powers. - The Philippine National Bank, upon its organization, shall be a body corporate and shall have power:

- To engage in the business of commercial banking by accepting drafts and issuing letters of credit, discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debts, receiving deposits, buying and selling foreign exchange and gold or silver bullion, by acting as financial agent, and by lending money against personal security or against securities consisting of personal property or first mortgages on improved real estate and the insured improvements thereon;
- To accept and execute trusts and to carry on a general trust business in accordance with the provisions of law governing trust corporations;
- To hold, own, purchase, acquire, sell, mortgage, dispose or otherwise invest or reinvest in high grade stocks, bonds, debentures, securities and other evidence of indebtedness of other corporations and of the government or its instrumentalities which are issued for or in connection with any project or enterprise;

- To organize and incorporate investment and/or development financing subsidiaries whose capital stock may be subscribed in whole or in part by the Bank: Provided, however, that the controlling interest of not less than sixty-six and two-thirds percent (66-2/3%) of the authorized capital stock of such subsidiaries shall at all times remain with the Bank: Provided, further, that the Bank may organize and incorporate commercial banking subsidiaries without the limitations imposed on allied undertakings, subject to the prior approval of the Monetary Board: Provided, finally, that the organization and incorporation of such subsidiaries shall be approved by the President of the Philippines.

- With the approval of the President of the Philippines, to issue either in the Philippines or externally, all types of bonds, promissory notes, debentures, certificates of indebtedness, or other debt instruments whether senior, unsecured or subordinated obligations, including but not limited to capital notes under such terms and conditions as may be determined by the Board of Directors, which may be:

- Secured by credits against real estate or other assets of the Bank but not in excess of 90% thereof, or without such security and purely on an unsecured or subordinated basis;

- Long-term, medium-term or short-term;

- With fixed interest rate or floating interest rate;

- Denominated either in the lawful legal tender of the Philippines or in such foreign currencies which are eligible for the foreign exchange reserves of the Central Bank of the Philippines; and

- With such other features and requirements which in its discretion are deemed necessary.

These bonds, debentures, promissory notes, certificates of indebtedness, or other debt instruments shall be unconditionally guaranteed as to principal and interest by the Republic of the Philippines: Provided, however, that the Bank is also authorized to issue these instruments without the guaranty of the Republic of the Philippines;

These bonds, debentures, promissory notes, certificates of indebtedness, or other instruments, shall be exempt, both as to principal and interest, from any and all taxes imposed by the Government or any of its subdivisions;

- To guarantee foreign loans or credit accommodations extended directly by foreign firms or persons to domestic borrowers for capital investment purposes; (Sec. 74, GBA, modified)

- To engage or participate in the development of secondary markets for government securities and short, medium and long term papers;

- To invest in equities of the following allied undertakings: warehousing companies, leasing companies, storage companies, safe deposit box companies, trust companies, companies engaged in the management of mutual funds but not in the mutual funds themselves, banks other than rural banks, and such other similar activities as the Monetary Board of the Central Bank of the Philippines may declare as appropriate from time to time: Provided, however, that (a) the total investment in equities shall not exceed twenty-five per cent (25%) of the net worth of the Bank; (b) the investment in any one enterprise shall not exceed ten per cent (10%) of the total net worth of the Bank; (c) the total equity investment of the Bank in any single enterprise shall remain a minority holding in that enterprise, except where that enterprise is not a financial intermediary; (d) the investment in other banks shall be deducted from the Bank's net worth for purposes of computing the prescribed ratio of net worth to risk assets. Where the allied undertaking is a wholly owned or majority controlled subsidiary of the Bank, it shall be subject to examination by the Central Bank;

- To borrow money, or incur indebtedness or contract obligations in pursuance of its banking operations as set forth in this Decree;

- To engage in the warehousing of rice, corn and other grains, copra, sugar, tobacco, cotton and other basic commodities as well as oil, gasoline and petroleum products;
- To act as an official government depository with full authority to maintain deposits of the government, its branches, subdivisions and instrumentalities, and of government owned or controlled corporations, subject to the provisions of Section 118 of Republic Act numbered Two hundred sixty-five, as amended;
- To prescribe its By-laws;
- To adopt and use a seal;
- To make contracts;
- To sue and be sued;
- To acquire, own and hold real and personal property necessary to carry on its business, introduce improvements thereon, and to sell, mortgage or otherwise dispose of such property and improvements in accordance with the policies adopted by the Board;
- To exercise the general powers mentioned in the Corporation Law and the General Banking Act insofar as they are not inconsistent or incompatible with the provisions of this Decree, as well as such incidental powers as may be necessary to carry on and engage in its business.

CAPITAL

SECTION 4. Authorized Capital Stock - Par Value - Government Subscription and Payment - Sale of Shares. - The authorized capital stock of the Bank shall be increased to TWO BILLION PESOS to be divided into twenty million shares at par value of one hundred pesos each. The Government shall increase its paid-in subscription of P700 million as of December 31, 1973 to P1 billion. Payment for the P300 million additional capital contribution to the Government shall be made as follows:

- In the form of cash to be authorized under the corresponding appropriation upon recommendation of the Secretary of Finance; or
- In the alternative, in exchange for bonds or other government securities which the Secretary of Finance is hereby authorized to issue under such terms and conditions as he may prescribe.

The increase in the authorized capital stock shall be divided into the following classes of shares:

a. Preferred "A" shares which shall consist of one million shares available for sale to or subscription by the general public. These shares shall have the following features:

- 1)
preferred as to dividends at ten per cent (10%);
- 2)
cumulative;
- 3)
participating;
- 4)

non-voting;

5)

dividends thereon shall be exempt from income tax;

6)

redeemable at the option of the Bank at the prevailing book value but in no case less than par after five (5) years from issuance thereof; and

7)

convertible to Common shares at the option of the holder in case the Bank fails to pay dividends thereon for two consecutive years: PROVIDED, however, that if the holder thereof signifies his intention to convert the Preferred "A" shares to Common shares, the Bank may, at its option, redeem said shares even before the lapse of five (5) years counted from date of their issuance.

b. Preferred "B" shares which shall consist of two million shares available for sale to or subscription by citizens of the Philippines only. These shares shall have the following features:

1)

preferred as to dividends;

2)

cumulative;

3)

participating;

4)

non-voting;

5)

dividends thereon shall be exempt from income tax; and

6)

convertible to Common at the option of the holder in case the Bank fails to pay dividends thereon for two consecutive years.

c. Common "A" shares which shall consist of five hundred thousand (500,000) shares exclusively available for subscription at par by officers and employees of the Bank. These shares shall have the following features:

1)

preferred as to dividends;

2)

cumulative;

3)

participating;

4)

voting;

5)

dividends thereon shall be exempt from income tax; and

6)

non-transferable except to qualified holders as herein provided.

Transfer of any kind, including that by hereditary succession, to any person other than officers or employees of the Bank shall not be valid and shall not be registered in the books of the Bank. Moreover, such transfer shall give rise to the Bank's right to acquire the shares so transferred at part. The Board of Directors of the Bank shall prescribe the terms and conditions for the distribution of Common "A" shares to officers and employees of the Bank as well as for the Bank's re-acquisition of said shares from the holders thereof upon their separation from the Bank or upon the transfer of said shares to any person other than officers or employees of the Bank.

d. The balance of the increase in the authorized capital stock shall be in Common shares.

The Board of Directors of the Bank may, at its discretion, increase the number of any of the preferred shares as well as the Common "A" shares by converting outstanding Common shares, if there are any available, to such shares desired to be increased. Said increase shall be subject to the approval of the President of the Philippines upon recommendation of the Secretary of Finance. The Bank may take the necessary steps to have its preferred shares listed in any duly registered stock exchange.

Existing private stockholders may exercise their pre-emptive right.

The Government may at any time, upon recommendation by the Secretary of Finance and the approval of the President of the Philippines, subscribe to the balance of the Common shares: Provided, however, that upon the lapse of five years from the listing of the preferred shares in any duly registered stock exchange, but not later than December 31, 1980, such preferred shares remaining unsold or unsubscribed shall be automatically converted to Common shares and subscribed to by the Government. Payment of these government subscriptions may likewise be in the form of cash to be authorized under the corresponding appropriation that may be made from time to time or in exchange for bonds or other government securities which the Secretary of Finance is hereby authorized to issue under such terms and conditions as he may prescribe. These bonds or other government securities may be retired in the manner provided for in this Decree.

The Bank is also authorized to purchase its own shares that are held privately.

Holders of Land Bank bonds may, under such terms and conditions as may be prescribed by the Board of Directors of the Bank, exchange such bonds for shares of the Bank offered for sale to the public.

SECTION 5. Who may vote Government-owned stock. - The voting power of all the stock of the Bank owned and controlled by the Republic of the Philippines shall be vested in the President of the Philippines, or in such person or persons as he may from time to time designate.

BANKING OPERATIONS IN GENERAL

SECTION 6. Loans and credit accommodations authorized. - The Philippine National Bank is hereby authorized:

- To purchase, discount or negotiate promissory notes, drafts, bills of exchange and other evidences of debt issued or drawn for agricultural, export, industrial, commercial and other allied purposes with collaterals required by the

Bank, or the proceeds of which have been used or are to be used for such purposes;

- To grant loans on, or to discount notes secured by harvested and stored crops: Provided, That no loan on the security of such harvested and stored crops shall exceed eighty per centum of the fair market value thereof on the date of the loan: Provided, further, That the crops used as collateral shall be insured for the benefit of the Bank for their entire market value; and Provided, finally, That if owing to any circumstances whatever, the value of the crops given as security shall diminish, the debtor and/or mortgagor shall obligate himself to furnish additional security or refund such part of the loan as the Bank may demand. The maturity of such loans shall not exceed one year subject to extension, in the discretion of the Bank;

- To grant loans for the production of rice, corn and other grains, cotton, hemp, coconut, sugar, banana, tobacco, maguey and other agricultural produce, not in excess of seventy per cent (70%) of the estimated value of the production: Provided, however, that before granting such loans, the Bank may require additional securities in the nature of mortgages on real estate duly registered in the name of the debtor and/or accommodation mortgagor, or chattel mortgage, including those upon livestock, machinery and agricultural implements, or personal bonds with sufficient surety or sureties, satisfactory to the Bank.

- To grant medium-term or long-term loans and advances against security of real estate and/or other acceptable assets for the establishment, rehabilitation or expansion of agricultural, export, industrial and other productive enterprises;

- To grant loans against personal security, or against security consisting of personal property or first mortgages on improved real estate and the insured improvements thereon;

- To make loans to any branch, subdivision or agency of the Republic of the Philippines or to government owned or controlled corporations, subject to the conditions that such loans should be for productive, revenue producing, or socio-economic projects pursuant to the priorities established in the development program, as certified to by the National Economic Development Authority, in an amount within the borrowing entity's paying capacity, duly guaranteed by the National Government through the Secretary of Finance upon authority of the President of the Philippines with respect to principal, interest and other charges: Provided, however, that loans covered by government guarantees shall not exceed the ceiling prescribed by the Monetary Board: Provided, finally, That such ceiling on government guarantees shall exclude loans to government corporations with acceptable collateral. However, such loans to government corporations shall nonetheless be subject to the lending ceiling on loans to government agencies and entities provided for in paragraph d of Section 7.

SECTION 7. Lending Ceilings. - The aggregate amount of loan that may be granted by the Bank to any individual, partnership, corporation, industry, or government agency or entity shall be as follows:

- The total liabilities to the Bank of any individual, including the liabilities of the individual's spouse or of any corporation or firm for money borrowed, including in the liabilities of the corporation or firm the liabilities of the several members thereof, shall at no time exceed fifteen per cent (15%) of the unimpaired capital and surplus of the Bank;

- The Bank shall not make any loan upon the stock of any other corporation as collateral if the market value of all such stocks held as collateral exceeds an amount equal to fifteen (15%) per centum of the unimpaired capital stock and surplus of the Bank;

- The aggregate amount of loan for any single industry shall at no time exceed thirty per cent (30%) of the Bank's lending capacity. Lending capacity of the Bank shall be defined as the maximum expansion for loans and credits that the Bank is authorized to grant or extend which shall be computed as ten (10) times the Bank's unimpaired

capital and surplus, minus risk assets as defined herein, plus the following:

- 1) Loans guaranteed by the government;
- 2) Loans fully secured by holdout deposit;
- 3) Customers' liability acceptances covered by marginal deposits on letters of credit;

Risk assets is defined as total assets minus the following:

- 1) Cash on hand;
- 2) Amount due from the Central Bank;
- 3) Evidences of indebtedness of the Republic of the Philippines and of the Central Bank, and any other evidences of indebtedness or obligations the servicing and repayment of which are fully guaranteed by the Republic of the Philippines;
- 4) Loans to the extent covered by holdout on, or assignment of, deposit maintained in the lending bank and held in the Philippines;
- 5) Loans or acceptances under letters of credit to the extent covered by margin deposits; and
- 6) Other non-risk items which the Monetary Board of the Central Bank may, from time to time, authorize to be deducted from total assets;

- The aggregate amount of loans to Government agencies and entities including government-owned and/or controlled corporations shall at no time exceed the advances, deposits and paid-in capital contributions of the Government, plus twenty per cent (20%) of such total, except in emergency situations as determined by the Monetary Board of the Central Bank;

- The aggregate of long term loans and advances which the Bank may grant against security of real estate or other acceptable assets for the establishment, repairs or expansion of agricultural, export, industrial or any other productive enterprise shall not exceed the sum of the paid-up capital and unimpaired surplus, long term indebtedness and obligations plus thirty per cent (30%) of the total deposit liabilities of the Bank

SECTION 8. The following transactions shall be excluded in the computation of the lending ceilings:

- The discount of bills of exchange drawn in good faith against actually existing values and discount of commercial or business paper actually owned by the person negotiating the same shall not be considered as money borrowed;
- Loans secured by obligations of the Central Bank or of the Philippine Government;
- Loans fully guaranteed by the government as to the payment of principal and interest;
- Loans to the extent covered by holdout on, or assignment of deposits in the Bank and held in the Philippines or abroad;
- Loans and acceptances under letter of credit to the extent covered by margin deposits;
- Loans for the establishment, promotion or expansion of export trade or industry approved by the Monetary Board of the Central Bank as excluded in the computation of the lending ceilings;
- Other loans or credits which the Monetary Board of the Central Bank may, from time to time, determine as excluded in the computation of lending ceilings upon request of the Board of Directors of the Bank.

SECTION 9. Additions to Lending Ceilings. -In addition to the lending ceiling of fifteen (15%) per cent of the unimpaired capital and surplus of the Bank referred to in paragraph 'a' of Section 7, the total liabilities of any borrower may amount to (a) a further fifteen (15%) per cent of the unimpaired capital and surplus of the Bank

provided such additional liabilities are secured by shipping documents, warehouse receipts or other similar documents transferring or securing title covering readily marketable, non-perishable stocks, when such staples have a market value equal to at least one hundred twenty-five per cent (125%) of such additional liabilities; (b) a further twenty (20%) per cent of the unimpaired capital and surplus of the Bank when the loans are to be utilized for the establishment, promotion, or expansion of export trade and industry.

BOARD OF DIRECTORS COMPOSITION AND ORGANIZATION

SECTION 10. Board of Directors - Composition - Per Diems - Tenure. - The affairs and business of the Bank shall be directed and its property managed and preserved, unless otherwise provided in this Decree, by a Board of Directors consisting of nine members duly elected as hereinafter provided for a terms of one year or after their successors are duly elected and qualified, and who shall be paid a per diem of two hundred fifty pesos for each meeting of the Board of Directors.

SECTION 11. Election of Members of the Board of Directors - Election of Chairman. - Annually on the first Tuesday after the first Monday in March, the stockholders shall meet to elect the members of the Board of Directors for the current year, each stockholder or proxy to be entitled to as many votes as he may have shares of stocks registered in his name on the thirty-first of January last preceding and held by him at the time of the election. Immediately after the election, the directorate shall be organized as such and elect from among themselves a chairman. The President of the Bank shall be ex-officio vice-chairman, who, as such, shall assist the chairman and act in his stead in case of absence or incapacity. In case of incapacity or absence of both the chairman and vice-chairman, the Board of Directors shall designate a temporary chairman from among its members: Provided, that no director, shareholder or employee of any other bank shall be eligible as member of the Board of Directors of the Bank: Provided, further, That no person shall be elected director of the Bank unless he is a natural-born citizen of the Philippines, not less than thirty-five years of age, of good moral character and has attained proficiency, expertise and recognized competence in one or more of the following: banking, finance, economics, law, agriculture, business management, public utility or government administration.

SECTION 12. President, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents -Election, Appointment and Removal. - The Chief Executive of the Bank shall be the President who shall be elected by the Board of Directors from among themselves with the advise and consent of the President of the Philippines. No person shall be elected President of the Bank unless he is at least forty years of age, of good moral character and reputation, with at least ten years previous experience in banking, and has a reputed proficiency, expertise and recognized competence in banking and economics, or finance, management, or government administration, or law, or agriculture, or industry. He shall be assisted by one or more Executive Vice Presidents who shall have the same qualifications as the President and such number of Senior Vice Presidents and Vice Presidents as may be necessary for the efficient operations of the business of the Bank, and who shall be chosen and removed for cause by the Board of Directors upon recommendation of the President of the Bank. The salaries of the President, Executive Vice Presidents, Senior Vice Presidents and Vice Presidents shall be fixed by the Board of Directors in line with the policy declared by the President of the Philippines.

POWERS OF THE BOARD OF DIRECTORS

SECTION 13. The Board of Directors shall have, among others, the following duties, powers and authority:

- To formulate policies necessary to carry out effectively the provisions of this Decree and adopt such by-laws, rules and regulations for the effective operation of the Bank, in conformity with this Decree and existing laws;
- To adopt an annual budget for the effective operation and administration of the Bank: Provided that the expenses

for its personnel shall not exceed thirty per cent (30%) of the gross income of the Bank for the preceding calendar year, including all salaries, allowances, benefits and other emoluments of whatever kind and nature;

- To create, establish and operate a "Self-Insurance System" in order to offset possible damage or loss of cash-in-transit that the Bank may suffer on account of cash and check remittances to its branches and agencies and vice-versa, as well as those that may arise from irregular encashment or negotiation of checks, drafts, telegraphic transfers and similar instruments, or losses arising from other forms of fraud;
- To create and establish a "Provident Fund" which shall consist of contributions made both by the Bank and its officers or employees to a common fund for the payment of benefits to such officer or employee or his heirs under such terms and conditions as the Board of Directors may fix;
- In its discretion, to accept assignments of, or as payments, certificates of indebtedness of the Government or other such similar securities: Provided, however, that the authority herein granted shall not be used as regards backpay certificates: Provided, further, that if, for any reason whatever, the Bank is compelled by statute to accept assignments of, or as payment, certificates of indebtedness, bonds or other such similar Government securities, such certificates, bonds or securities can be used by the Bank in payment of any and all taxes;
- To compromise or release, in whole or in part, any claim or settled liability to the Bank regardless of the amount involved, under such terms and conditions it may impose to protect the interests of the Bank. This authority to compromise shall extend to claims against the Bank;
- To prescribe such terms and conditions for loans and credits as may be deemed necessary, consistent with the provisions of this Charter;
- To determine the procedure and requirement for the acquisition of properties necessary for the business of the Bank;
- To dispose of properties of the Bank, whether used in the conduct of its business or acquired as a result of its banking operations, by public bidding or private negotiated sale upon such terms and conditions as it may impose.

PRESIDENT - POWERS AND DUTIES

SECTION 14. Powers and Duties of the President . - The President of the Bank shall, among other powers and duties, execute and administer the policies, measures, orders and resolutions approved by the Board of Directors, and direct, and supervise the operations and administration of the Bank.

Particularly, he shall have the power and duty:

- To grant loans with maturities of not more than one year in sums not exceeding TWO HUNDRED FIFTY THOUSAND PESOS (P250,000.00) to any individual, partnership or corporation. He shall submit a report of such loans granted by him under this authority to the Board of Directors at its next succeeding session;
- To execute all contracts in behalf of the Bank and to enter into all necessary obligations required or permitted by this Decree upon proper authorization by the Board of Directors;
- To report weekly to the Board of Directors the main facts concerning the operations of the Bank during the preceding week and to recommend changes in rates of discounts or exchange as well as changes in policies which he may deem advisable;
- To submit an annual report to the President of the Philippines on the result of the operations of the Bank;
- To recommend the appointment, promotion, shifting or removal of all subordinate officers and employees of the

Bank;

- To exercise the powers of general supervision and administration attached to the position of President, and all other powers that may be granted by the Board;
- To delegate any of his powers, duties or functions to any official of the Bank, with the approval of the Board of Directors.

LEGAL COUNSEL

SECTION 15. Legal Counsel - Any provision of laws, existing executive orders and administrative orders to the contrary notwithstanding, all legal cases and matters of the Philippine National Bank shall be exclusively handled, controlled and supervised by a Chief Legal Counsel of the Bank who shall be chosen and may be removed for cause by the Board of Directors.

AUDITING DEPARTMENT

SECTION 16. Bank Auditor and personnel of the Auditing Department - Appointment and removal - Salaries and expenses - Audit reports . - The Commission on Audit shall be the ex-officio auditor of the Philippine National Bank and shall, with the approval of the Board of Directors and the President of the Philippines, appoint a Bank Auditor who shall be the head of the Auditing Department of the Bank. The provisions of other laws to the contrary notwithstanding, the salary of the Bank Auditor shall be fixed by the Commission on Audit, with the approval of the Board of Directors and the President of the Philippines.

All the other employees of the Auditing Department shall be appointed or removed by the Commission on Audit with the approval of the Board of Directors, subject to the Civil Service Law and the established personnel policies of the Bank. In making these appointments, the Commission on Audit shall be guided by a list of qualified and eligible personnel to be submitted by the Bank Auditor with a certification that merit and seniority have been strictly observed. The salaries of these employees shall be fixed by the Commission on Audit, with the approval of the Board of Directors and the President of the Philippines, in accordance with the job evaluation program of the Bank. The Bank Auditor and his subordinate personnel shall also receive such allowances and privileges as may be authorized and approved by the Board of Directors.

The operating expenses of the Auditing Department, including salaries and traveling expenses of the employees thereof, shall be payable by the Bank. The Board of Directors shall make the necessary appropriation therefor which shall not exceed three (3%) per cent of the gross income of the Bank during the preceding calendar year.

The Bank Auditor shall, quarterly or as often as the exigencies of the service may require, submit an audit report on the financial condition of the Bank, as well as the result of its operation, to the President of the Philippines, the Secretary of Finance, the Commission on Audit and the Board of Directors of the Bank. The report shall contain, among other things, a statement of resources and liabilities, earnings and expenses, the amount of capital stock, dividends paid, surplus reserves, undivided profits, as well as the losses, bank debts, suspended and overdue papers carried in the Bank's assets as of the day in which the statements are compiled.

APPOINTMENT AND REMOVAL OF THE OTHER OFFICERS AND EMPLOYEES OF THE PHILIPPINE NATIONAL BANK

SECTION 17. Other officers and employees, appointment and removal - Salaries . - All other officers and employees of the Bank shall be appointed and removed by the Board of Directors, on recommendation of the President. Said officers and employees shall belong to the exempt category under the Civil Service Law by reason

of the technical nature of their employment. Officers may be transferred or re-assigned according to the sound judgment of the Board of Directors. The duties and compensation of said officers and employees shall be fixed by the Board of Directors upon recommendation of the President: Provided, That whenever the Chairman or any member of the Board, by order of the Board of Directors, shall temporarily or permanently perform duties incumbent upon other officers, they may be granted compensation therefor, subject to the written approval of the President of the Philippines.

SECTION 18. Officers and employees prohibited from striking . - It is the declared policy of this Decree that the Bank is an instrument of national monetary policy and its operation affect national interest. Accordingly, the officers and employees of the Bank shall not strike for the purpose of securing changes or modifications in their terms and conditions of employment but such officers and employees may belong to any labor organization which does not impose the obligation to strike or to join in strike.

CONFIDENTIAL INFORMATION

SECTION 19. Inspection of the Bank; prohibition on persons authorized to inspect Bank's condition. - The Bank shall be subject to inspection by the appropriate department of the Central Bank of the Philippines.

The head of the said department making the examination and his agents, the Chairman and members of the Commission on Audit and their representatives, or other officers designated by law to inspect or investigate the condition of the Bank shall not reveal to any person other than the President of the Philippines, the Secretary of Finance, the Monetary Board of the Central Bank and the Board of Directors, the details of the inspection or investigation.

SECTION 20. Confidential Information. - Banking transactions relating to loans, credit accommodations, and all deposits of whatever nature are confidential in character and may not be examined, inquired or looked into by any person, government official, bureau or office, except as provided in the preceding Section, or upon written permission of the client, or upon order of a competent court, after due hearing, and only in cases where the money deposited or the transaction concerned is the subject matter of the litigation.

Production of banking records or giving testimony relative to the details of Bank transactions or deposits may be ordered by a competent court only after formal notice and hearing and due finding that the transactions or deposits to which they pertain are the subject matter of the litigation, or in cases of impeachment, bribery, or dereliction of duty of public officials, or for violations of the Anti-Graft and Corrupt Practices Law.

SECTION 21. Prohibition on Officers and Employees of the Bank. - Except in the situations authorized in Sections 19 and 20, no officer or employee of the Bank shall reveal to any third person, government official, bureau or office any information relative to the details of banking transactions, all deposits of whatever nature, and such other matters which the Board of Directors may classify as confidential in character, unless authorized by the Board of Directors.

This prohibition shall not apply to the exchange of credit information among government financial institutions or among banks, in accordance with established banking practices.

PROHIBITION AGAINST OWNING STOCKS IN OR BEING INDEBTED TO THE BANK

SECTION 22. Prohibition against owning stock in or incurring indebtedness to the Bank. - The Secretary of Finance, the Governor of the Central Bank and the members of the Monetary Board of the Central Bank, the officers and employees of the appropriate department of supervision of the Central Bank, the officials of the NEDA, the Chairman and members of the Commission on Audit, the Bank Auditor and the employees of the

Auditing Department are prohibited from owning stock of the Bank in their personal capacity or from becoming directly or indirectly indebted or liable for any credit accommodation to the Bank.

This prohibition shall become effective one year from the date of approval of this Revised Charter.

PROHIBITED TRANSACTIONS AFFECTING BANK PERSONNEL

SECTION 23. Loans to officers, directors and employees - Restriction and limitations. -The National Bank shall not, directly or indirectly grant loans to any director, officer, employee, or agent of the Bank, and no loan shall be granted to a corporation, partnership, or company wherein any member of the Board of Directors is a shareholder, agent, or employee in any manner, except by the unanimous vote of the members of the Board present, excluding the member interested: Provided, That the total liabilities to the Bank of any corporation wherein any of the members of the Board of Directors is a shareholder, agent or employee in any manner, shall at no time exceed five per centum of the surplus and paid-up capital of the Bank.

DISPOSAL OF REAL ESTATE ACQUIRED IN THE COLLECTION OF DEBTS

SECTION 24. Disposal of real estate and other properties in the collection of debts. - Real estate and other properties acquired by the Bank in the collection of debts or investments by way of foreclosure or other means shall be sold or disposed of in accordance with the policies and guidelines adopted by the Board of Directors, within five years after date of their acquisition.

The sale or disposal shall be effected either by private negotiations and sale or by public bidding, in accordance with the policies and guidelines to be established by the Board of Directors.

SECTION 25. Right of redemption of foreclosed property - Right of possession during redemption period. - Within one year from the registration of the foreclosure sale of real estate, the mortgagor shall have the right to redeem the property by paying all claims of the Bank against him on the date of the sale including all the costs and other expenses incurred by reason of the foreclosure sale and custody of the property, as well as charges and accrued interests.

The Bank may take possession of the foreclosed property during the redemption period. When the Bank takes possession during such period, it shall be entitled to the fruits of the property with no obligation to account for them, the same being considered compensation for the interest that would otherwise accrue on the account. Neither shall the Bank be obliged to post a bond for the purpose of such possession.

RIGHT TO DEMAND ADDITIONAL COLLATERALS IN CASE OF DEFICIENCY

SECTION 26. Right to demand additional collaterals in case of deficiency; advance maturity of obligations - Disposal of the collaterals - Right to collect deficiency. - If for any cause whatsoever any of the collaterals accepted by the Bank as security for loans or other credit accommodations should decline or depreciate in market value in whole or in part, or upon breach of any terms and conditions contained in the contracts executed by the debtors, or in case of multiple obligations with common collaterals, one or more but not all obligations are due and demandable, the Bank may demand additional collaterals or may forthwith declare any such obligation due and payable. In case of failure to put up the required collaterals, the Bank may, upon three (3) days notice, sell the said collaterals, either in whole or in part, at a public or private sale at the option of the Bank. At such public sale, the Bank may itself purchase the whole or any part of the properties sold. In case of a private sale, after deducting all costs or expenses of any kind for collection, sale or delivery, the Bank shall apply the proceeds of the sale to

the payment of the obligations and in case there is any deficiency, the debtor shall remain liable to the Bank for such deficiency arising from the sale or sales.

RIGHT OF THE DEBTOR TO THE SURPLUS OF SALES PROCEEDS AND LIABILITY FOR DEFICIENCY

SECTION 27. The right of the debtor to surplus and his liability for deficiency. - The debtor shall be entitled to collect from the Bank that portion of the proceeds of the sale in excess of his total outstanding obligations, including interests, charges thereon and other expenses in the sale. If the proceeds of the sale of the collaterals do not cover the full amount of the obligations together with interest and charges thereon and the expenses of the sale, the debtor shall be liable for the difference and the Bank may proceed by legal action against him for deficiency.

This provision shall likewise apply to the sale of pledged properties.

SECTION 28. Prohibition against writing-off of loans without prior Central Bank approval. - Writing-off of loans and advances with an out standing amount of one hundred thousand pesos or more shall require the prior approval of the Monetary Board of the Central Bank of the Philippines.

SECTION 29. Application of the Revised Penal Code. - The provisions of Title Four, Chapter One of Act Numbered Thirty-Eight Hundred and Fifteen, known as the Revised Penal Code, are hereby made applicable to violations of law consisting in the making or causing to be made, and circulating or causing to be circulated, forged notes and bonds in imitation of those of the Bank.

SECTION 30. Prohibited Interest or Fees With Reference to Obtaining Loans. - A director, officer, employee, or agent of the Bank shall not directly or indirectly have any pecuniary interest in any loan from the Bank. Neither shall he charge, exact, demand or receive any fee, charge or commission in any form for his service or the use of his influence in obtaining a loan. Any violation of this Section shall be punished as hereinafter established in Section 37 of this Decree.

NET PROFITS

SECTION 31. Allocation of net profits. - At the close of the calendar year, the Bank shall determine the net results of its operations in the calculation of which adequate allowances shall be made for probable losses. Of the net profits arrived at, at least fifty (50%) per cent shall be set aside for the declaration of dividends corresponding to the shares of the Government and the private stockholders. The remaining net profits shall be accumulated in the surplus account which shall be utilized for such purposes as may be authorized by the Board of Directors.

DIVIDENDS ON GOVERNMENT SHARES

SECTION 32. Payment of dividends corresponding to Government-owned shares. - The dividends declared corresponding to the shares of the Government shall be set aside and are hereby appropriated to form a special securities sinking fund which shall be used for the sole purpose of retiring the Government; bonds and/or other securities issued by the Secretary of Finance pursuant to Section Four of this Revised Charter. This special fund shall be deposited with the Bank which shall be the trustee thereof until the purpose for which it was created shall have been accomplished. Any and all income that may accrue thereon shall form part of the fund. After the retirement and payment of the bonds, including the interest thereon, shall have been made from the special fund, the residue remaining shall be used to pay for additional Government subscription that may be authorized by the President of the Philippines on the unissued shares of the authorized capital stock of the Bank. Thereafter, all dividends corresponding the Government-owned shares shall be paid into the Treasury of the Philippines for the

general funds thereof.

TAX ON TRANSACTIONS WITH THE REPUBLIC AND ITS AGENCIES

SECTION 33. Documentary and science stamp taxes. - Documents, instruments, or deeds of any kind, stock certificates, checks, drafts, acceptances, certificates of deposit, bills of exchange, promissory notes, letters of credit, indemnity and/or performance bonds, or similar instruments made, issued, signed, accepted, or transferred by the Bank in favor of, or for the account or benefit of the Republic of the Philippines, its branches, subdivisions, or instrumental ities shall be exempt from any and all documentary and science stamp taxes upon approval of the Secretary of Finance.

LEGAL EXISTENCE

SECTION 34. Term of Legal Existence. - The legal existence of the Bank shall be for a period of fifty years, counting from the date of approval of this 1975 Revised Charter of the Bank.

ILLEGAL USE OF THE WORD "NATIONAL"

SECTION 35. Prohibition against use of word "National" - Penalty for violation. - All banks other than the Philippine National Bank and such other banks now licensed to do business in the Philippines whose name already includes the word "National" are prohibited from using the word "National" as portion of their name or title, and any violation of this prohibition shall subject the party chargeable therewith to a penalty of not less than one hundred pesos for each day during which it is committed or repeated.

REPEAL AND SEPARABILITY CLAUSES

SECTION 36. Repeal of Acts inconsistent herewith. - All acts, executive orders, administrative orders, proclamations, rules and regulations or parts thereof inconsistent with any of the provisions of this Decree are hereby repealed or modified accordingly.

If any provision or section of this Decree or the application thereof to any person, asso ciation or circumstances is held invalid, the other pertinent provisions or sections of this Decree and their application to such person, association or circumstances shall not be affected thereby.

PENALTIES

SECTION 37. Penalties for violation of the provisions of this Decree. - Any director, officer, employee or agent of the Bank, who violates or permits the violation of any of the provisions of this Decree, or any person aiding or abetting the violations of any of the provisions of this Decree, shall be punished by a fine not to exceed ten thousand pesos or by imprisonment of not more than five years or both such fine and imprisonment.

SECTION 38. The provisions of Republic Acts numbered Two hundred and sixty-five, as amended, and Three hundred thirty-seven, as amended, insofar as they are applicable and not in conflict with any provision of this Decree, shall apply to the Philippine National Bank.

SECTION 39. This Decree shall take effect upon its approval.

DONE in the City of Manila, this 8th day May in the year of Our Lord, nineteen hundred and seventy-five.

(Sgd.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(Sgd.) ALEJANDRO MELCHOR
Executive Secretary

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