

## BY-LAWS OF THE

\_\_\_\_\_  
(address)

### ARTICLE 1

#### OFFICES

**Section 1.** Principal Offices. The principal office of the Bank shall be in the Municipality of \_\_\_\_\_, Province of \_\_\_\_\_, Philippines.

### ARTICLE II

#### STOCK AND STOCKHOLDERS

**Section 1.** Certificate of Stock. Ownership or proprietary interest in the assets of the bank shall be evidenced by certificates of stock which shall be recorded in the books of the bank and shall be in such form as the Monetary Board of the Bangko Sentral ng Pilipinas may prescribe. A certificate of stock shall be issued to a subscriber only after full payment of his subscription, including interest on unpaid subscriptions and other expenses, if any. The certificate of stock shall be signed by the President or the Vice-President, countersigned by the Secretary or Assistant Secretary, and sealed with the corporate seal.

**Section 2.** Subscription Contract. Any acquisition by a subscriber of the bank's unissued stock shall be evidenced by a contract of subscription setting forth the date and manner of payment of the balance of subscription; PROVIDED, that unpaid subscriptions shall be governed by Sections 66 and 67 of Batas Pambansa Blg. 68 (Corporation Code of the Philippines).

**Section 3.** Transfer of Shares. Shares of stocks so issued may be transferred by delivery of the certificate endorsed by the owner or his attorney-in-fact or other person legally authorized to make the transfer. No transfer, however, shall be valid, except as between the parties, until the transfer is recorded in the books of the bank, so as to show the names of the parties to the transaction, the date of the transfer, the number of certificate, and the number of shares transferred; PROVIDED, that when the bank holds any unpaid claim on shares of stock ( whether for unpaid subscriptions or loans ), transfer of said shares shall not be recorded in the corporate books; PROVIDED, further, that the stock books of the bank shall be closed for transfer twenty ( 20 ) days before the general election and ten ( 10 ) days before dividend days.

To effect the transfer, the old stock certificate must be surrendered for cancellation before a new certificate is issued. If less than the entire number of shares represented by the certificate is assigned, two ( 2 ) new certificates therefore shall be issued -one in the name of the transferee for the number of shares assigned, and another in the name of the transferor for the number of shares that were not assigned.

No transfer of stock shall be effected which will violate the legal requirement that at least 100% of the voting stock of a rural bank shall be owned by the citizens of the Philippines. Transfer of shares shall be reported to the appropriate supervising department of the Bangko Sentral ng Pilipinas.

**Section 4.** Lost or destroyed certificates. The issuance of the new stock certificates in lieu of those which have been lost, stolen or destroyed shall be governed by Section 73 of the Corporation Code.

### ARTICLE III

#### MEETINGS OF STOCKHOLDERS

**Section 1.** Annual Meetings. The stockholders' annual meetings shall be held at the bank's principal office or at any place within the municipality where the bank is located, on **Decemder 31** of each year at **8:00** o'clock **AM**. If such day falls on a holiday, then on the first full business day thereafter, at the same hour and place. However, the Board of Directors, by a resolution adopted 15 days before the regular holding of such annual meeting, and with proper notice to the stockholders, may vary the date, hour or place of such meeting which shall be held not earlier than 15 days after the adoption of such resolution. If, for some reasons, the annual meeting cannot take place as scheduled, such meeting shall be called thereafter in the manner provided for the calling of special meetings.

**Section 2.** Special Meeting. Special meetings of stockholders shall be held at any time deemed necessary: PROVIDED, however, that at least five ( 5 ) days written notice shall be sent to all stockholders. Upon written request of stockholders holding a majority of the outstanding shares or by resolution of the Board of Directors, the President shall call special stockholders' meeting and cause written notices to be mailed to all stockholders stating the place, date, time and purpose of such meeting.

**Section 3.** Quorum. A majority of the outstanding capital stock entitled to vote shall constitute a quorum at meetings of stockholders, except in cases where law requires greater vote for an act or business. If a quorum is not present, the chairman of the meeting or a majority of the voting stockholders present may adjourn the meeting from time to time until a quorum is obtained.

**Section 4.** Who shall preside at meetings. The Bank President shall preside at meetings of stockholders. The Corporate Secretary shall act as secretary at all meetings of the stockholders, the Board of Directors and the Credit Committee, provided, that his/her absence or incapacity the presiding officer may designate some other person to act as secretary.

**Section 5.** Proxies. Stockholders may vote in person or by proxy in all meetings of the stockholders. Proxies shall be in writing, signed by the stockholder and filed before the scheduled meeting with the corporate secretary. Unless otherwise provided in the proxy, it shall be valid only for the meeting for which it is intended. No proxy shall be valid and effective for a period longer than five ( 5 ) years at any one time.

**Section 6.** Waiver of Notice. Notice of any meeting may be waived, expressly or impliedly by any stockholder.

**Section 7.** Order of Business at Regular and Special Meetings:

A. Regular Meetings –The order of business at regular meetings shall be as follows:

1. Call to order by the President
2. Proof of notice
3. Roll call
4. Reading and approval of the minutes of the previous meeting.
5. Annual reports of the President, Manager and / or other officers and the Chairman of the standing / special committees
6. Election of the members of the Board of Directors.

7. Unfinished business
8. New business
9. Adjournment

B. *Special Meetings* –The order of business at special meetings shall be as follows:

1. Call to order by the President
2. Proof of notice
3. Roll call
4. Reading of approval of the minutes of the previous meeting.
5. Business for which the meeting has been called.
6. Announcements ( optional ).
7. Adjournment.

## ARTICLE IV

### BOARD OF DIRECTORS

**Section 1.** Election. The business affairs of the bank shall be conducted under the supervision and control of a board of (NUMBER) directors. The holders of stocks entitled to vote shall elect such directors in the manner provided in Section 24 of Batas Pambansa Blg. 68 (Corporation Code of the Philippines), whose qualification shall be subject to the pertinent rules and regulations of the Bangko Sentral ng Pilipinas.

**Section 2.** Eligibility. Only Filipino citizens are eligible for election to the Board. Every director must own at least one ( 1 ) share of the bank's capital stock which share shall stand in his name in the books of the corporation. Eligibility of directors shall be subject to existing laws and Bangko Sentral ng Pilipinas rules and regulations.

**Section 3.** Term. The Board of Directors shall serve for one ( 1 ) year and until their successors are elected and qualified. A director shall hold office for such period unless before his term expires he resigns, is removed from office, becomes incapacitated by the reason of sickness or death, or otherwise disqualified by law or by Bangko Sentral ng Pilipinas rules and regulations.

**Section 4.** Vacancy in the office of director. Any vacancy occurring in the Board of Directors other than by removal by the stockholders or by expiration of term, may be filled by the vote of at least the majority of the remaining directors, if still constituting a quorum; otherwise, said vacancy must be filled by the stockholders in a regular or special meeting called for the purpose. A director so elected to fill a vacancy shall serve only the unexpired term of his predecessor in office.

Any directorship to be filled by reason of an increase in the number of directors shall be filled only by an election at a regular or special meeting of stockholders duly called for the purpose.

**Section 5.** Removal. Any director may be removed from office by vote of stockholders representing two-thirds ( 2/3 ) of the outstanding capital stock in the manner provided for in Section 28 of the Corporation Code.

**Section 6.** Regular Meetings. Regular meetings of the Board of Directors shall be held at least once a month at such days and hours to be fixed by either the Board of Directors or by the President of the Bank at the bank premises or at any place within the municipality where the bank is located. Written notices to the directors must be mailed at least seven ( 7 ) days before the scheduled meeting.

**Section 7.** Special Meetings. The Bank President may call a special meeting of the Board of Directors at any place within the country. Notices of such meeting shall be given at least three ( 3 ) days before the date thereof.

**Section 8.** Quorum. A majority of the number of directors shall constitute a quorum for the transaction of corporate business, and every decision of at least a majority of the directors present at the meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of a majority of all the members of the board.

Directors cannot attend or vote by proxy at board meetings.

**Section 9.** Waiver. Notice of any meeting may be waived, expressly or impliedly, by any director.

**Section 10.** Compensation. The directors shall not receive any compensation, as such directors, except for reasonable per diems: Provided, however, that any such compensation (other than per diems) may be granted to directors by the vote of stockholders representing at least a majority of the outstanding capital stock at a regular or special stockholders' meeting. In no case shall the total yearly compensation of directors shall exceed ten (10%) percent of the net income before income tax of the bank during the preceding year.

**Section 11.** Order of Business. The order of business at the regular or special meeting of the Board of Directors shall be as follows:

1. Calling of roll;
2. Proof of due notice of meeting;
3. Reading and disposal of any unapproved minutes;
4. Reports of officers and committees;
5. Election of officers;
6. Unfinished business;
7. New business; and
8. Adjournment

## ARTICLE V

### COMMITTEES

**Section 1.** Credit Committee. The Board of Directors shall elect from their members two (2) directors who, with the Bank Manager as permanent member, shall act as a Credit Committee. The Secretary shall serve as an ex-officio secretary of the Committee. The board may also elect one additional director to serve as an alternate member in the absence or inability of any regular member thereof. Any member of the Credit Committee may be removed at any time by a majority vote of all the members of the board.

The Credit Committee shall meet as frequently as necessary. Its main function is to process and scrutinize applications for loans and to recommend their approval or rejection by the Board of Directors.

**Section 2.** Executive Committee. The bank may create an Executive Committee, composed of not less than three members of the board to be appointed by the board. Said committee may act, by majority vote of all its members, on such specific matters within the competence of the board, as may be delegated to it on a majority vote of the board, except with

respect to: (1) approval of any action for which stockholders approval is required; (2) the filling of vacancies in the board; (3) the amendment or repeal of by-laws or the adoption of new by-laws; (4) the amendment or repeal of any resolution of the board which by its express terms is not so amendable or repeatable; and (5) a distribution of cash dividends to the shareholders.

**Section 3.** Special Committees. The Board of Directors may create other special committees in addition to the credit and the executive committees.

**Section 4.** Quorum. A majority of the members of any committee shall constitute a quorum.

**Section 5.** Keeping of Records. All committees shall keep records of their proceedings and submit the same to the Board of Directors at its next meeting or earlier, if required.

## ARTICLE VI

### OFFICERS

**Section 1.** Executive Officers. The executive officers of the Bank shall be: (1) the president; (2) the vice president; (3) the treasurer; (4) the secretary; (5) the bank manager; and (6) the cashier. The president who must be a director, the treasurer who may or may not be a director, and the secretary who must be a resident and citizen of the Philippines are elected by a majority vote of all the members of the Board at a meeting held immediately after their election at the annual stockholders' meeting. The bank manager and the Cashier are appointed by the Board of Directors.

Any two (2) or more positions may be held concurrently by the same person, except that no one shall act as president and secretary or as president and treasurer at the same time.

**Section 2.** The President. The president shall be the chief executive officer of the Bank. He shall see to it that all orders and resolutions of the Board of Directors and all Bangko Sentral circulars and rules and regulations governing rural banks are carried into effect. He shall exercise such powers and perform such duties as are prescribed for the Office of the President in these by-laws.

**Section 3.** The Vice President. The vice-president shall exercise the powers and authority and perform the duties of the president during the latter's absence or incapacity to act.

**Section 4.** The Secretary. The secretary shall keep the record of all the proceedings at all meetings as well as all other pertinent bank records and shall have custody of the seal of the corporation.

**Section 5.** The Treasurer. The treasurer shall receive for and in the name of the Bank all payments for stock subscriptions and, when so designated by the Board of Directors, shall sign checks, drafts and other documents of similar importance and perform such other duties and functions as may be assigned by the Board of Directors.

**Section 6.** The Bank Manager. The bank manager shall have general management of the business affairs of the Bank, subject to the control by the Board of Directors.

**Section 7.** The Cashier. The cashier shall have custody of all funds, securities and other assets of the Bank. He shall keep a complete a record of the bank's assets and liabilities and shall make reports with respect thereto as may be required of him by the Board of Directors.

He shall perform such other duties and functions incident to his position as well as those assigned to him from time to time by the Board of Directors.

**Section 8.** The Internal Auditor. The internal auditor shall have full, free and unrestricted access to all company activities, records, property and personnel. He shall report directly to the Board of Directors. His duties and responsibilities shall include the following:

- a) Performs continuous program of verification and conduct his examination in such a way as to ensure management of the general reliability and validity of all reports;
- b) Recommends the establishment of appropriate internal controls;
- c) Supervises and maintains the bank's system of internal control and ascertains that it is adequate and functioning properly;
- d) Recommends appropriate measures to ensure that the established policies, procedures and controls are followed;
- e) Perform such other functions as may be assigned by the Board of Directors in connection with examination, evaluation and appraisal of the bank's operations.

The internal auditor's functions are staff and advisory. He has no authority or responsibility over the activities he audits, and his main purpose is to assist the members of the organization in the effective discharge of their responsibilities.

**Section 9.** Eligibility. The Eligibility of the bank's executive officers shall be subject to existing laws and Bangko Sentral ng Pilipinas rules and regulations.

**Section 10.** Other officers and employees. The Board of Directors may appoint other officers and employees and fix their respective compensation, subject to existing laws of Bangko Sentral ng Pilipinas rules and regulations.

**Section 11.** Removal from office. Any officer or employee of the Bank may be dismissed subject to existing laws and pertinent Bangko Sentral rules and regulations.

## ARTICLE VII

### MISCELLANEOUS PROVISIONS

**Section 1.** Financial Report. At the regular meeting of the stockholders, the board of directors shall render a financial report of the operations of the bank for the preceding year, which shall include financial statements, duly signed and certified by an independent certified public accountant.

**Section 2.** Right to financial statements. Within ten (10) days from receipt of a written request of any stockholder, the bank shall furnish to him its most recent financial statement, which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for the said taxable year, showing in reasonable detail its assets and liabilities and the result of its operations.

**Section 3.** Records and Books to be kept. The bank shall, at its principal office, keep and carefully preserve a record of all business transactions, and minutes of all the meeting of stockholders and the board of directors as well as copies of the bank's articles of incorporation and by-laws duly approved by the Securities and Exchange Commission. The bank must also keep a "stock and transfer book," in which must be kept a record of all stocks in the names of the stockholders alphabetically arranged; the installments paid and unpaid on all stocks from which

subscription has been made and the date of payment of any installment; a statement of every alienation, sale and transfer of stock made, the date thereof, and by and to whom made; and such other pertinent entries.

The records of all the business transactions of the bank, the minutes of any meeting, and the stock and transfer book shall be open to the inspection of any director or stockholder at reasonable hours on business days and he may demand, in writing, for a copy of excerpts from the said records or minutes, at his expense.

**Section 4.** Disbursements. All disbursement checks and vouchers shall be signed by the cashier and countersigned by the president or, in his absence or incapacity, by any of the following persons successively: (1) the vice-president, (2) the bank manager, or (3) any other officer or employee duly authorized by the board of directors.

**Section 5.** Dividends. Declaration of dividends shall be subject to existing laws and Bangko Sentral ng Pilipinas rules and regulations.

**Section 6.** Investments. All investments of corporate funds shall be subject to existing laws and Bangko Sentral ng Pilipinas rules and regulations.

**Section 7.** Execution of documents. The president, the bank manager, or any other officer duly authorized by the board of directors shall sign all legal instruments and documents in behalf of the bank, in all transactions arising from the exercise of the banks express, incidental and inherent corporate powers and functions.

**Section 8.** Bond. The manager, the cashier and all other accountable officers and all employees of the bank handling funds or securities amounting to five thousand pesos (P5,000.00) or more, in any one (1) year, shall post a bond corresponding to their respective accountabilities in accordance with pertinent rules and regulations.

**Section 9.** Fiscal Year. The bank's fiscal year shall commence on the second day of January and end on the 31<sup>st</sup> of December each year.

**Section 10.** Corporate Seal. The bank's corporate seal shall bear the words \_\_\_\_\_, and the following is an impression of the seal of the \_\_\_\_\_ as adopted by the Board of Directors.

**Section 11.** Amendments to the Article of Incorporation and By-Laws. Any provision or matter stated in the articles of incorporation may be amended by a majority vote of the board of directors or the vote or written assent of the stockholders representing at least two thirds (2/3) of the outstanding capital stock.

The board of directors, by a majority vote thereof, and the owners of at least a majority of the outstanding capital stock, at a regular or special meeting duly called for the purpose, may repeal or amend the by-laws, provided; that the stockholders owning two thirds (2/3) of the outstanding capital stock may delegate to the board of directors the amendment of the by-laws or the adoption of the new by-laws.

Whenever any amended Articles of Incorporation and /or amended or new by-laws are adopted, the same shall be subject to approval by the Bangko Sentral ng Pilipinas which shall issue the required certificate of authority to register said amended articles of incorporation and/or amended or new by-laws with the Securities and Exchange Commission, in accordance with Sections 9 and 10 of R.A. No. 337, as amended. The amended articles of incorporation and/or amended or new by-laws shall only be effective upon the issuance by the Securities and

Exchange Commission of a Certificate of Filing of Amendment and/or Certificate of Filing of new By-Laws.

**Section 12.** Rules and Regulations. All Bangko Sentral ng Pilipinas rules and regulations implementing in R.A. 7353 (Rural Bank Act of 1992), R.A. No. 7653 (the New Central Bank Act), as amended, shall form part of this Code of By-Laws.

Voted upon and adopted this \_\_\_\_\_ day of \_\_\_\_\_, 200\_\_ in \_\_\_\_\_  
\_\_\_\_\_, Philippines, by the undersigned stockholders  
representing at least a majority of the outstanding capital stock:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

