



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 294 Series of 2001

The Monetary Board, in its Resolution No. 1149 dated July 26, 2001 approved the following amendments to Subsection X606.2 of the Manual of Regulations for Banks pursuant to Section 51 of Republic Act (R.A.) No. 8791, The General Banking Law of 2000.

"X606.2 Ceiling on total investments. The total investment of a bank in real estate and improvements thereof, including bank equipment, shall not exceed fifty percent (50%) of the bank's net worth. In determining compliance with such ceiling, the following rules shall apply:

- a. The investment shall include all real estate and equipment necessary for the bank's immediate use in the transaction of its business, such as:

- (1) *Bank premises – Land and Buildings, Buildings under Construction, Leasehold Rights and Improvements and Furniture, Fixtures and Equipment* (as defined in the Manual of Accounts for All Banks), owned and used by the bank in the conduct of its business, including staff houses, recreational facilities and landscaping costs, net of accumulated depreciation: *Provided, however,* That appraisal increment on bank premises shall not be included in the total investment in real estate and improvements for purposes of these guidelines; and
- (2) Real properties, equipment or other chattels purchased by the bank in its name for the benefit of its officers and employees, net of depreciation and in the case of land or other non-depreciable property, net of payments already made to the bank by the officers and employees for whose benefits the property was bought, where such property has not yet been fully paid and ownership has not yet been transferred to them.

- b. The following shall be included in the computation of a bank's total investment in bank premises:

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MAG-IMPOK SA BANGKO

(1) (a) The cost of real estate leased in whole or in part by the bank from a corporation, **other than a corporation primarily engaged in real estate** in which the bank has equity, equivalent to the amount obtained by applying the percentage of the equity of the bank in the lessor to the cost of that portion of the property being leased, or

(b) the amount of equity in the lessor, whichever is lower; plus the amount obtained by applying the percentage of the equity of the bank in the lessor to any outstanding loans of the lessor with the bank, the proceeds of which were used to purchase, construct or develop the real estate used for the bank's purposes.

(2) The lower of

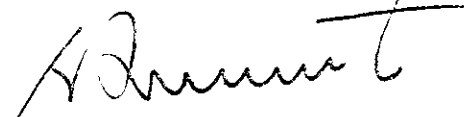
(a) the cost of real estate leased in whole or in part by the bank from a corporation in which any or a group of stockholders owning ten percent (10%) or more of the voting stock of the bank, directors and/or officers of the bank, hold or own more than fifteen percent (15%) of the subscribed capital stock of the lessor, equivalent to the amount obtained by applying the percentage of the equity of said stockholders/directors/officers in the lessor to the cost of that portion of the property being leased by the bank, or

(b) the amount obtained by applying the percentage of the equity of the stockholders/directors/officers in the lessor to any outstanding loans of the corporation with the bank, the proceeds of which were used to purchase, construct or develop the real estate used for the bank's purposes.

c. The equity investment of a bank in a corporation engaged primarily in real estate shall be included in the computation of the bank's total investment in real estate, unless otherwise provided by the Monetary Board."

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:


RAFAEL B. BUENAVENTURA
Governor

Sept. 6, 2001