



PHILIPPINE DEPOSIT INSURANCE CORPORATION



AIMING FOR **EXCELLENCE**

2010
ANNUAL REPORT

Cover story

PDIC marks a banner year of accomplishments in 2010 and takes an initial step towards achieving its vision of becoming a world-class organization in depositor protection through the prestigious ISO 9001:2008 certification of its Quality Management System for claims settlement operations.

In pursuit of excellence, PDIC continues to improve its systems and processes to deliver quality public service and fulfill its mandate of helping maintain stability in the financial system.



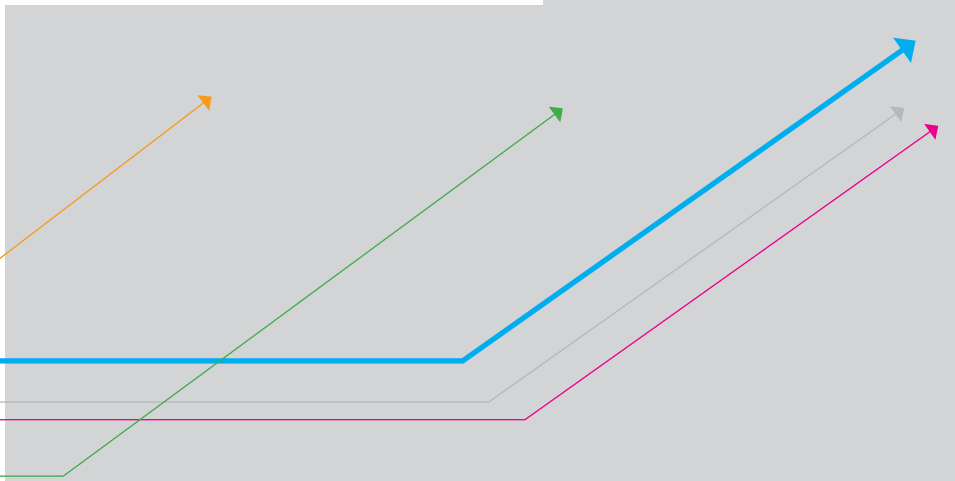
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Mission

We exist to provide permanent and continuing deposit insurance coverage for the depositing public.

We shall:

- exercise complementary supervision of banks,
- adopt responsive resolution methods,
- ensure prompt settlement of insured deposits, and
- apply efficient management of receivership and liquidation functions so that the Corporation can contribute to the promotion of public confidence and financial stability in the economy.

Vision

We will be a world-class organization in depositor protection.

Core Values

In our commitment to public service, we value:

- Integrity
- Professionalism
- Excellence
- Teamwork
- Respect for all People



PHILIPPINE DEPOSIT INSURANCE CORPORATION

VALENTIN A. ARANETA
President

October 2011

HIS EXCELLENCY
PRESIDENT BENIGNO S. AQUINO III
Malacañan Palace, Manila

Through: **Honorable CESAR V. PURISIMA**
Secretary, Department of Finance
Chairman, PDIC Board of Directors

Dear Mr. President:

It is my honor to present the Annual Report of the Philippine Deposit Insurance Corporation (PDIC) for the year 2010. The Report highlights PDIC's accomplishments in various areas of operations in pursuit of our vision to become a world-class organization in depositor protection.

On behalf of the PDIC Board of Directors, management and staff, I affirm the organization's commitment to provide protection to the depositing public and in maintaining public confidence in the stability of the financial system.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Valentin A. Araneta", is written below the text "Very truly yours,".



October 2011

Honorable FELICIANO R. BELMONTE, Jr.
Speaker of the House of Representatives

Through: **Honorable CESAR V. PURISIMA**
Secretary, Department of Finance
Chairman, PDIC Board of Directors

Dear Gentlemen:

On behalf of the Board of Directors, management and staff of the Philippine Deposit Insurance Corporation (PDIC), it is my honor to present the Corporation's Annual Report for the year 2010. The Report highlights PDIC's accomplishments in its capacities as deposit insurer, statutory receiver and liquidator, and co-regulator of banks.

I thank you for your support as we affirm our commitment to continue and improve depositor protection.

Very truly yours,

Valentin Varneta





Chairman's

MESSAGE

The Philippine Deposit Insurance Corporation has a key function to keep the financial system stable and promote economic development. As a deposit insurer and co-regulator of banks, it helps to maintain and build up the confidence of the population to put their savings in the banking system thereby making the funds available for investments in the Philippine economy. The confidence that the PDIC helps to foster in the banking system also plays a significant role in making deposits and other banking services available to the countryside and to integrate the informal sectors into a broader and deeper financial system.

In order to effectively support President Aquino's program of good governance and transparency as the basis for good economics, the PDIC is tasked to require compliance to sound, prudent and transparent management practices in the examination and resolution of banks. In this respect, the institutional capabilities of PDIC to monitor and examine the banks and to protect the depositing public are being strengthened.

One important measure of instilling a culture of good governance and accountability in the banking system is to apply the full consequences of the law and the regulations on bank officials who violate banking rules. The PDIC is mandated to be an important player in carrying out this task. Ultimately, good governance and transparency throughout the banking system is the best measure of safety for the depositing public.

A stylized signature of Cesar V. Purisima, consisting of a large 'C' and 'P'.

Cesar V. Purisima





President's REPORT

The Corporation continued to enhance services to depositors and worked to **strengthen** the banking system.

In 2010, the Philippine Deposit Insurance Corporation (PDIC) addressed fresh challenges with renewed vigor. Led by dedicated professionals whose skills had been honed by the rigors of dealing with the increasing number of bank closures in previous years, the Corporation continued to enhance services to depositors and worked to strengthen the banking system.

The Annual Report for 2010 highlights key areas aimed at strengthening the banking system and internal corporate processes that were pursued by the Board and senior management of PDIC, led by Mr. Jose C. Nograles, former President.

STRENGTHENING THE DEPOSIT SYSTEM

PDIC started the year by launching the Investor-Investee Helpdesk, one of two programs aimed at further strengthening banks through mergers and acquisitions and capital infusion. The Helpdesk is an electronic matchmaking facility providing a registry of qualified investors desiring to invest in banks and banks desiring to take in more capital or to be actually absorbed or acquired by bigger and stronger entities. As of the end of the year, a total of forty one banks had registered in the facility, as interested investors.

The Strengthening Program for Rural Banks (SPRB) was launched later in the year to support the rural banking system. This milestone undertaking was a joint initiative of the PDIC and the Bangko Sentral ng Pilipinas (BSP). It is aimed at encouraging mergers and consolidations among rural banks with a program fund of five billion pesos. Six roadshows were conducted nationwide in coordination with the Rural Bankers Association of the Philippines (RBAP) to inform rural banks of the features and mechanics of the SPRB. As of December 2010, PDIC had received 11 SPRB applications involving 18 rural banks.

Going forward, the PDIC intends to continue to strengthen its monitoring, examination and resolution capabilities of member banks.

BUSINESS PROCESS IMPROVEMENT

In the pursuit of continuously upgrading the service to the public, the Corporation implemented a number of business process improvements. The centerpiece project was the re-engineering and streamlining of the insured deposit claims settlement operations (CSO). This project entailed the formulation and implementation of a quality management system (QMS). The QMS for claims settlement was awarded the prestigious ISO 9001:2008 certification by the Certification International Phils., Inc. (CIPI) within the record time of less than half a year. The CIPI is an affiliate of Certification International based in the United Kingdom. This milestone certification was a recognition of PDIC's efforts to improve service delivery to depositors. The Corporation aims to replicate the QMS in other core business processes to bring these up to par with international best practices.

In support of process streamlining and to improve operational efficiency and productivity, PDIC adopted the Electronic Filing, Archiving, and Retrieval System (EFARS). This involved automating the filing, archiving and indexing of documents for easy retrieval and management. The Corporation likewise started the Integrated Financial System (IFS) project that shall replace the existing Financial Accounting System (FAS) and the Treasury and Investment Management System (TIMS). The IFS is designed to integrate the processing, recording and reporting of financial transactions.

RECEIVERSHIP AND LIQUIDATION

The Monetary Board of the Bangko Sentral ng Pilipinas ordered the closure of a total of 25 banks with 60 banking units during the year. These were placed under PDIC receivership. The 25 closed banks had a total of 95,812 deposit accounts with a total insured amount of 3.1 billion pesos.

The Receivership and Liquidation Sector filed 28 final projects of distribution for closed banks for approval of the liquidation courts. The Corporation also distributed assets worth 452.5 million pesos to creditors of closed banks as approved by the liquidation courts.

In the area of business process improvements, the PDIC reviewed and amended its guidelines and procedures on receivership and liquidation, and asset management procedures.

Guidelines on Records Management were also put in place to ensure that closed banks' records are systematically stored to facilitate their retrieval and management. Guidelines on Property Appraisal were standardized to align these with international valuation standards and market practice. For consistency, the policies for the resolution and disposal of Real and Other Properties Acquired (ROPA) and loans of closed banks and those acquired by the Corporation, were harmonized.

DEPOSIT INSURANCE

PDIC serviced a total of 218,959 deposit accounts amounting to 10.4 billion pesos during the year. This consists of insured deposits paid for 23 of the 25 banks closed in 2010 as well as banks closed in previous years and paid in 2010.

On the 23 banks which closed in 2010, PDIC paid 40,818 accounts (amounting to 1.25 billion pesos) out of the 78,750 accounts (amounting to 2.5 billion pesos) of estimated insured deposits. On the other hand, the Corporation paid 178,141 accounts (amounting to 9.1 billion pesos) for deposit insurance for banks closed prior to 2010. Among these were 94,902 accounts, amounting to 2.8 billion pesos, for banks¹ which were closed in 2009.

¹There were 31 banks closed in 2009.

A significant policy move implemented at the start of the year was the waiver of the required filing of claims for deposits with balances of 5,000 pesos and below. This was adopted to ensure the immediate access by small depositors to their deposit insurance payments without incurring additional costs and time in filing claims. Payments for these accounts were sent through registered mail to the depositors' addresses based on the records of the closed bank. Of the total insured deposit accounts serviced in 2010 as mentioned above, PDIC paid 150,340 accounts totaling 107 million pesos without the requisite filing of claims.

For the convenience of depositors, arrangements for other alternative payment schemes have been set for implementation such as through postal money orders (PMOs), cash cards and cash over-the-counter facilities. These alternative payment schemes will also shorten the turn-around time for the payment of deposit insurance claims.

DEPOSIT INSURANCE FUND

The Deposit Insurance Fund reached 64.6 billion pesos, or 7.2% higher than its 2009 level of 60.3 billion pesos. The DIF to Insurance Reserves Target (IRT) ratio stood at 86% compared to 67% in 2009.

HUMAN RESOURCE

Learning and development initiatives were undertaken to support the implementation of the Work Improvement Team (WIT) Program in pursuit of continued improvement in public service, as well as the bid towards the ISO 9001:2008 certification for PDIC's claims settlement operations. The WIT was intended to encourage the workforce to initiate, develop and implement projects to address problems within their respective areas.

LEGAL AFFAIRS

PDIC pursued its efforts for the passage of a comprehensive law to govern the liquidation of closed banks by presenting the proposed Closed Bank Liquidation Act (CBLA) to members of the Senate and House of Representatives. The CBLA aims to hasten the liquidation of closed banks through the seamless transition from bank closure to liquidation.

The Legal Affairs Sector vigorously pursued legal action to recover and collect the receivables of closed banks. They likewise vigorously prosecuted legally liable erring closed bank officers and principals.

INSTITUTIONAL RELATIONS

In recognition of PDIC's contributions to promote depositor protection and financial stability, the Corporation was nominated to the prestigious IADI Deposit Insurance Organization of the Year (DIO of the Year) Award.

PDIC successfully hosted the IADI Summit Conference and Claims Management Seminar in the southern Philippine city of Cebu in April. The Summit and Seminar provided fertile venues for exchange of experiences and insights on deposit insurance in crisis and post-crisis situations.

ADVOCACY

The Corporation intensified its advocacy for financial literacy and responsible banking by conducting more roadshows in universities nationwide through the 'Be a Wise Saver' campaign. The PDIC intends to vigorously pursue the efforts to keep the depositing public informed on the developments in the banking system.

Going forward, the PDIC intends to continue to strengthen its monitoring and examination and resolution capabilities of member banks. As the saying goes, prevention is much less costly than having to cure. This is particularly true with banks because of their mandate to accept deposits from the public.

An important part of the strengthening process will be the promotion of public awareness of the existence, mandate and activities of deposit insurance.



Valentin A. Araneta
President



Economy AND BANKING

The Philippine banking system is
poised for **continued growth
and strength.**

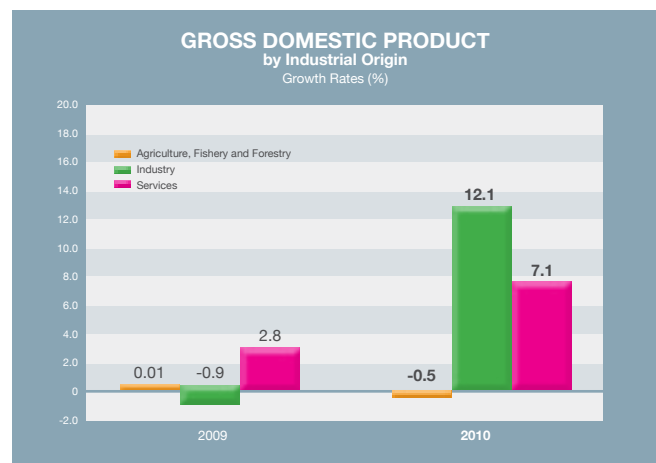
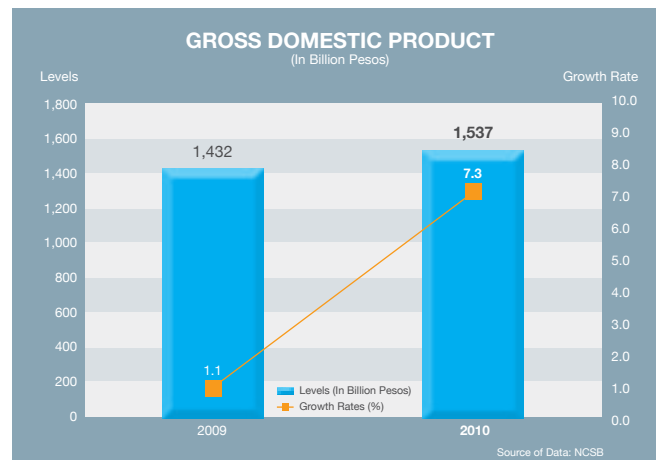
Economy and Banking



The Philippine economy posted a record growth in 2010.

Gross domestic product (GDP) rose by 7.3% in 2010, the highest increase in 34 years, outstripping by far the 1.1% growth in 2009 and exceeding the Government target of 5%-6%. The Industry and Services sectors led economic expansion on the production side while exports and capital formation spurred growth on the expenditure side. The growth was supported by stable prices as inflation, while slightly higher than in 2009, remained relatively low. The peso-dollar exchange rate was steady while the reference interest rates were on a decline.

The Services and Industry sectors led the growth on the production side. Services, which comprised 49.7% of GDP, grew by 7.1% from 2.8% in 2009 owing much to the growth in Trade boosted by the global economic recovery. Private Services, Ownership of Dwellings and Real Estate and Finance also exhibited significant growth. The Industry sector, comprising 33.6% of GDP, posted a 12.1% growth during the year from a contraction of 0.9% last year. Among the Industry subsectors, Mining and Quarrying posted the highest growth at 18.4% while Manufacturing, heightened by the increase in external trade, grew by 12.4% in 2010. On the other hand, lower crop yields and depressed farm production resulted in a 0.5% contraction in the Agriculture, Fishery and Forestry sector during the year after it posted nil growth the previous year.

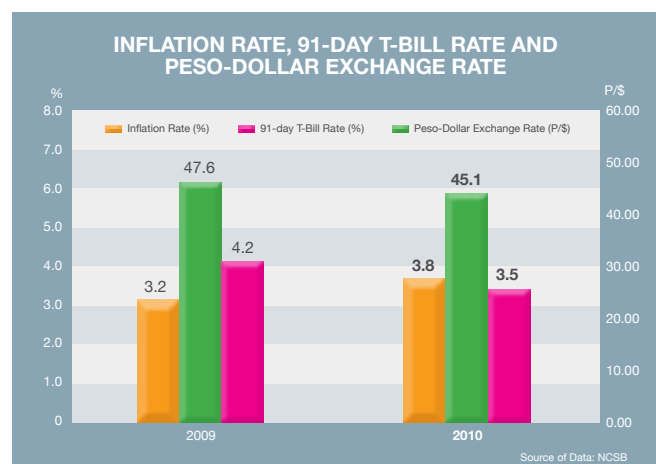
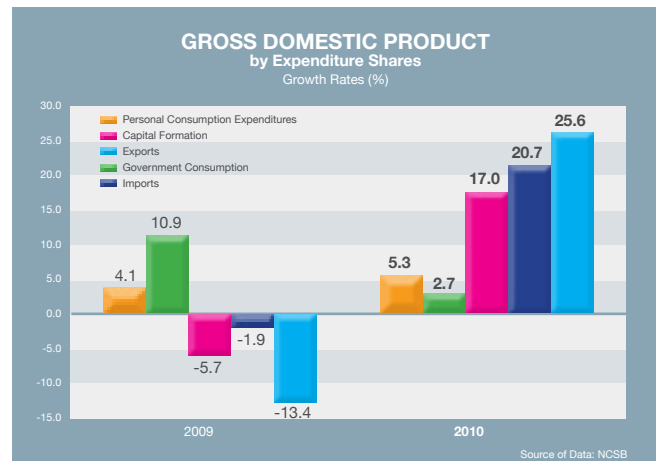


Exports rebounded from last year's performance and became the major driver of GDP growth on the expenditure side. As a result of robust external trade, exports and imports increased by 25.6% and 20.7%, respectively, from a contraction in 2009. Capital formation also followed a similar trend, growing by 17.0% from a 5.7% decrease in the previous year, as a result of increased Investments in Durable Equipment and Construction. Personal Consumption Expenditures rose by 5.3% due to increased consumer spending on food, household furnishing and clothing. Government Consumption Expenditures managed to grow but at a much slower pace of 2.7% after previously posting a 10.9% growth.

The increase in private demand as a result of heightened economic activity, coupled with the surge in the prices of electricity and petroleum products led to a slight increase in the average inflation rate to 3.8% in 2010, from the 3.2% average inflation in 2009. Lower food inflation moderated the rise in average inflation rate which remained low relative to previous years.

The peso averaged P45.1/\$1 in 2010 compared to P47.6/\$1 in 2009, boosted by high export performance, strong remittance from overseas Filipino workers and increased business process outsourcing (BPO) revenues. The benchmark 91-day T-Bill rate decreased to 3.5% in 2010 from 4.2% the previous year, as a result of ample liquidity in the system. This, in turn, was attributed to the influx of funds to the Philippines as a result of positive prospects for the country.

With a conducive economic environment, supportive macroeconomic policies and prudential regulation in place, the Philippine banking system is poised for continued growth and strength to withstand challenges brought by the ever-changing financial landscape.



The banking sector is expected to **benefit from the forecast sustained growth of the economy.**

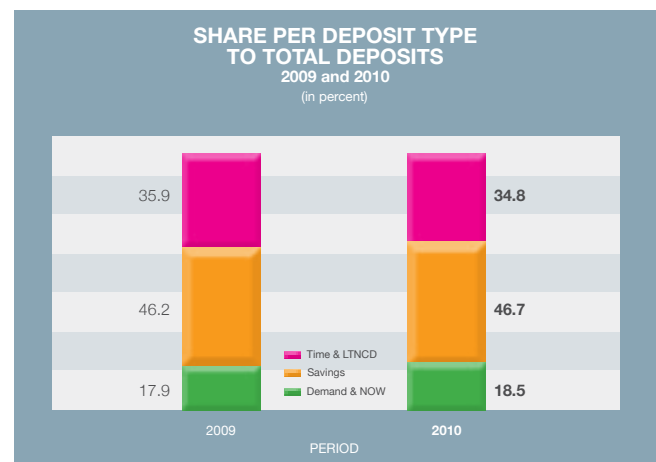
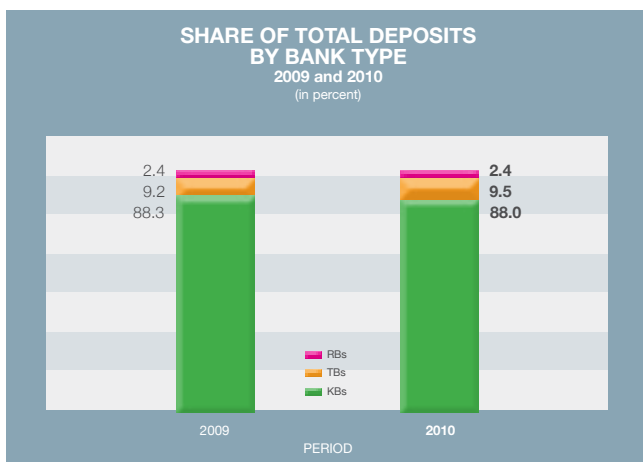
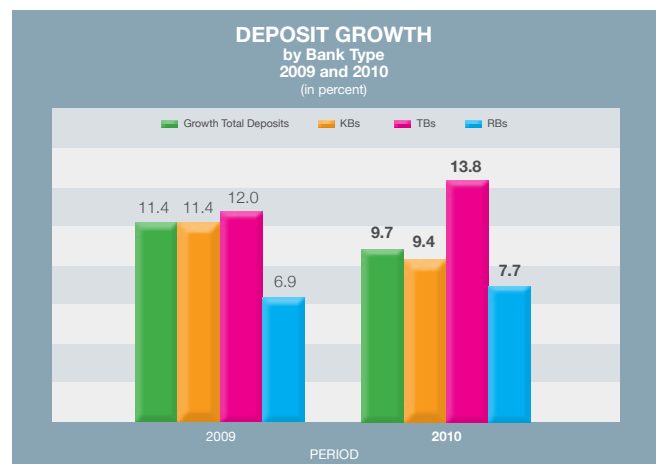
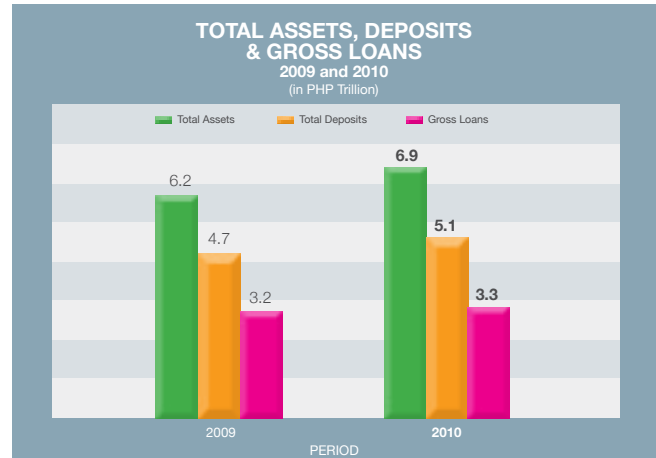
The Philippine banking system registered marked improvement in capital adequacy and asset quality.

Deposits continued to fund asset expansion. Total assets of the banking system increased by 11.8% to P6.9 trillion, funded primarily by deposits which grew by 9.7% to P5.1 trillion. Gross loans expanded by 3.9% to P3.3 trillion.

Thrift banks (TBs) outperformed commercial banks (KBs) by posting deposit growth of 13.8%, compared to the KBs' growth of 9.4%. Deposits in rural banks (RBs) increased by 7.7%, from 6.9%.

Although KBs continued to account for the bulk of deposits, their share marginally declined to 88% of total deposits, from 88.3%. TBs slightly increased their share to 9.6% from 9.2%, while the share of RBs dropped slightly to 2.41% from 2.45%.

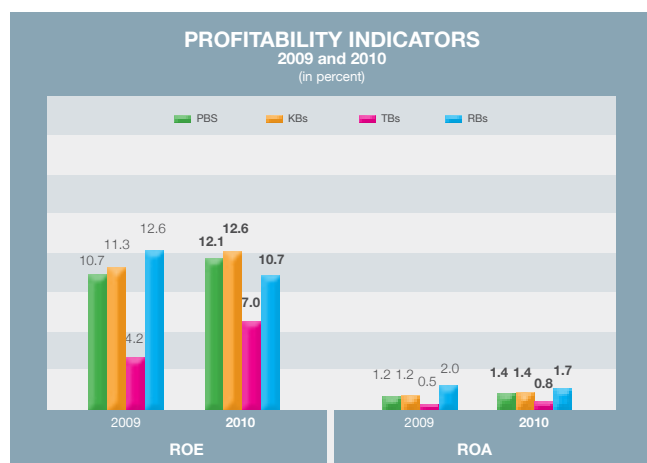
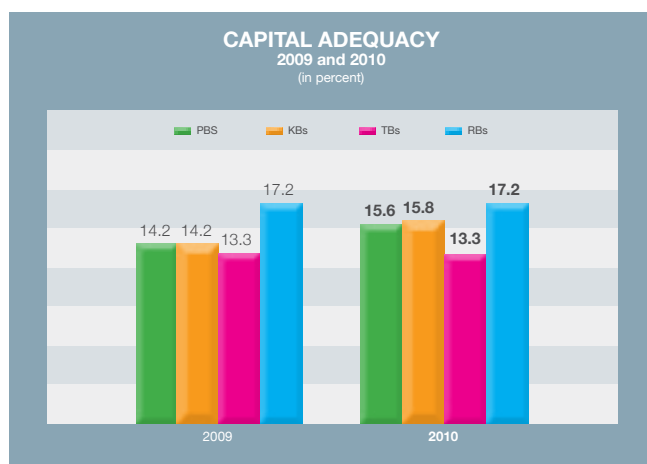
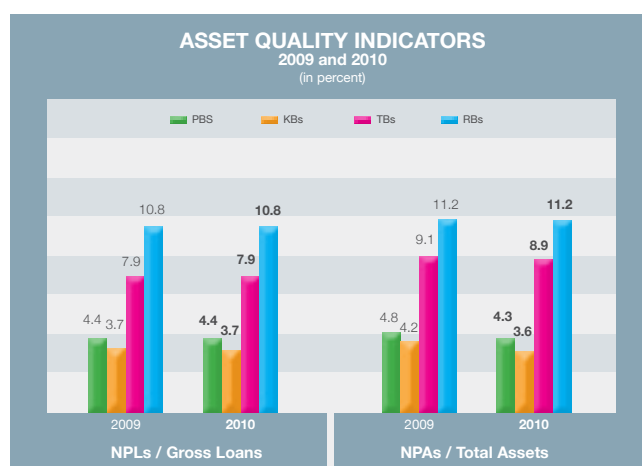
Per deposit type, Savings Deposits still comprised the bulk of deposits with its share to total deposits growing to 46.7% from 46.2%. On the other hand, the share of Time Deposits and Long Term Negotiable Certificate of Deposits contracted to 34.8% from 35.9%, while the share of Demand and NOW deposits expanded to 18.5% from 17.9%.



Banks' asset quality continued to improve. By the end of 2010, the ratio of non-performing assets (NPAs) to total assets of Philippine banks further improved over last year's level. Banks' NPA ratio was healthier at 4.3%, from 4.8% the previous year. The Non-Performing Loans (NPL) to Gross Loans ratio was unchanged at 4.4%.

The NPA ratio improved as NPAs went down by 0.8% to P302.6 billion from P305.0 billion and total assets expanded by 11.8% to P6.9 trillion. Meanwhile, the NPL ratio was constant as gross loans grew by 3.9% to P3.3 trillion and NPLs grew by 4.2% to P145.4 billion.

The improvement in the NPA ratio of the Philippine Banking System (PBS) largely came from KBs with the NPA ratio of the sector dropping to 3.6% from 4.2%. The ratio for TBs also improved from 9.1% to 8.9% while NPA ratio for RBs was unchanged at 11.2%.



Capital adequacy of banks remained above prudential levels. Banks' capital to risk assets ratio improved to 15.6% from 14.2% in 2009. The ratio for KBs improved to 15.8% from 14.2%, but capital adequacy for TBs and RBs were both unchanged at 13.3% and 17.2%, respectively. These levels are above the 10.0% regulatory requirement of the Bangko Sentral ng Pilipinas (BSP) and 8.0% required by the Bank for International Settlements (BIS).

Higher Profitability. Bank profitability was healthier as banks' return on equity (ROE) improved to 12.1% from 10.7% and return on assets (ROA) inched up to 1.4% from 1.2%. ROE of KBs improved to 12.6% from 11.3% and TBs continued improvement to 7.0% from 4.2%. On the other hand, RBs which exhibited the largest growth of ROE in 2009 posted a lower ROE of 10.7% from 12.6%.

Total profit after tax was up 31.0% to P90.9 billion from P69.4 billion as net interest income grew by 7.3% to P225.1 billion and non-interest income grew 26.0% to P133.4 billion. Net operating revenue was up 22.5% to P129.2 billion. Interest expense further contracted by 8.2% to P115.5 billion from P125.8 billion consistent with decline in interest rates. However, non-interest expense grew by 9.3% to P223.1 billion from P204.0 billion.

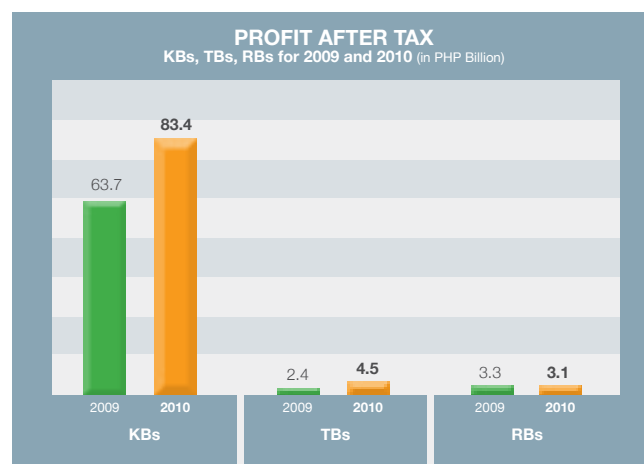
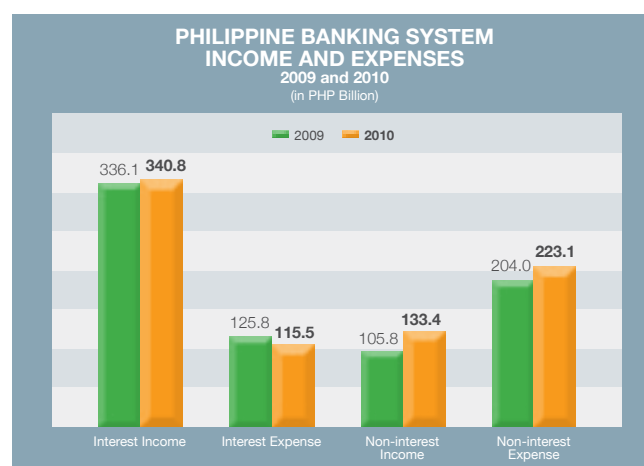
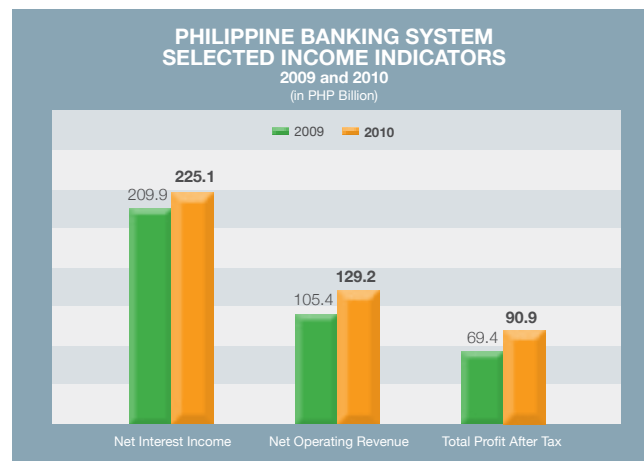
By bank type, KBs' profit after tax expanded by 30.8% to P83.4 billion from P63.7 billion. TBs' profits further improved by 83.9% to P4.5 billion from P2.4 billion profit after tax, while RBs' profits slid back by 5.3% to P3.1 billion from P3.3 billion.

Banking system consolidation. Continued efforts to strengthen the banking system led to the closure of 25 banks in 2010. There were also two mergers, three consolidations and one acquisition during the year. Despite the decrease in the number of operating banks, the banking system's operating network, comprised of head offices and branches, grew by 3.2% to 8,132 from 7,878 in 2009.

Outlook. For 2011, the Strengthening Program for Rural Banks (SPRB) which was officially launched in August 2010 is expected to facilitate consolidation in the rural banking sector.

The banking sector is expected to benefit from the forecast sustained growth of the economy, and further strengthen its balance sheet. Profitability of the sector may then be expected to continue to grow, albeit at a slower pace.

Challenges in the sector however, may remain for PDIC to address. Strengthened bank examination and monitoring to improve management of risks to the Deposit Insurance Fund will sustain the Corporation's capital build up that will ensure its continued contribution to the promotion of public confidence and financial stability in the economy.



REFERENCES:

1. Bangko Sentral ng Pilipinas (BSP)
2. National Statistics Coordination Board (NSCB)
3. Philippine Deposit Insurance Corporation (PDIC)

Risk Assessment AND MANAGEMENT



Estimated insured deposits amounted to **P1.4 trillion**, covering **97.1%** of total deposit accounts.

Risk Assessment and Management



ASSESSMENT

In 2010, the estimated insured deposits amounted to P1.4 trillion, covering 97.1% of total deposit accounts and representing 28.2% of total amount of deposits.

The Corporation assesses member banks at a rate of 1/5 of 1% of total deposits. Mirroring the aforementioned increase in total deposits, assessment collections grew by 10.4% reaching P9.2 billion in 2010 from P8.3 billion in 2009. Commercial banks continued to account for the biggest chunk of assessments at P8.1 billion or 88% of the total, while thrift banks and rural banks accounted for P849 million or 9% and P236 million or 3%, respectively.

REGULATORY ISSUANCES

The Corporation promulgated Regulatory Issuance (RI) No. 2010-01, on the Revised Rules and Regulations on Assessment of Member Banks. This RI is aimed at providing member banks with comprehensive information on assessments. It provided the basis for the conduct, as well as the frequency and coverage, of onsite assessment audit. It also included Charter provisions on contested assessments and excess assessment payments, which were not included in previous PDIC issuances. The RI updated and consolidated the following issuances: 1) Rules and Regulations Governing

the Posting of Security Deposits by Banks (RI 1992-01); 2) Amendments to Provisions in Part III (Assessments) of the PDIC Rules and Regulations, as amended (RI 2002-04); 3) Procedures for Filing of Regular Certified Statements and Payment of Assessment Fees (RI 2005-01); and, 4) Further Amendments to Part III (Assessments) of the PDIC Rules and Regulations, as amended (RI 2006-02).

Mirroring the increase
in total deposits,
assessment collections
grew by 10.4%
reaching **P9.2**
billion in 2010 from
P8.3 billion in 2009.

As part of PDIC's continuing efforts to enhance depositor protection and help maintain a sound banking system, the Corporation started crafting the RIs on unsafe and/or unsound banking practices and deposit insurance exclusions. The Board of Directors approved on December 15, 2010 the promulgation of said RIs. These RIs were finalized after consultative meetings with the BSP, Bankers Association of the Philippines, Chamber of Thrift Banks, Rural Bankers Association of the Philippines and Bank Marketing Association of the Philippines. The proposed regulation on unsafe and/or unsound banking practices aims to implement pertinent provisions of the PDIC Charter and establish the principles to be used by PDIC in determining unsafe or unsound deposit-related banking practices and their consequences. Meanwhile, the proposed regulation on deposit insurance exclusions provides the procedures and guidelines in determining when to exclude deposit accounts or transactions from the coverage of deposit insurance.

The aforesaid proposed regulations aim to guide depositors and banks on the processes involved in determining unsafe and/or unsound practices and in excluding deposit accounts or transactions from deposit insurance coverage. The remedies available to depositors are also included in said RIs.

BANK EXAMINATION

The PDIC examined 38 banks in 2010 or 52% more than the 25 banks examined in 2009. The 38 banks were comprised of 35 rural banks and three thrift banks with combined estimated insured deposits of P5.3 billion. In addition, the Corporation completed 97 Offsite Analysis Reports of closely monitored banks and other banks with significant financial and governance issues whose failure would have an impact on the Deposit Insurance Fund.

To improve its bank monitoring function, the Corporation acquired in 2010 a business intelligence (BI) tool to expedite the generation of its offsite bank rating model results. The BI tool also facilitated the processing of bank industry statistics and individual bank profiles that are used for bank monitoring and supervision.

The Corporation likewise completed the Standard Operating Guidelines and Instructions (SOGI) on Bank Examination that serves as PDIC's handbook in the conduct of bank examination. The SOGI on Bank Examination includes the procedures for the conduct of regular examination of banks, special examination if there is threatened or impending closure of a bank, and examination of deposit accounts in case there is a finding of unsafe and unsound banking practice.

FINANCIAL ASSISTANCE

The PDIC Charter as amended authorized the Corporation to provide financial assistance (FA) to eligible banks in danger of closing. The FA may be in the form of loans, purchase of assets, assumption of liabilities, or deposit placements. The FA may also take the form of equity or quasi-equity of the insured bank, as may be deemed necessary by the PDIC Board of Directors with concurrence of the Monetary Board.

PDIC did not extend FA to any bank in 2010. Meanwhile, it continued to monitor the financial condition of banks with existing FA as well as their compliance with their respective FA agreements.

PDIC continued
to **monitor**
the financial condition
of banks with existing
financial assistance.

MANAGEMENT OF ACQUIRED ASSETS

PDIC resolved 155 non-performing loans (NPLs) with total book value of P559 million. Loans restructured amounted to P228 million, those resolved via foreclosure and dacion amounted to P321 million, and compromise settlement, P10 million. Total cash collections (inclusive of principal and interest) amounted to P110.2 million.

Real and other properties acquired (ROPA) resolved in 2010 comprised of 34 assets with total disposal price of P97 million. These were sold through public bidding and negotiated sale.

PDIC voluntarily offered to sell to the Department of Agrarian Reform a total of 46 properties with acquisition cost of P110.1 million which are covered by the Comprehensive Agrarian Reform Program (CARP).

BANK STRENGTHENING INITIATIVES

For 2010, the PDIC launched two bank-strengthening initiatives: the Strengthening Program for Rural Banks and the Investor-Investee Helpdesk. These schemes encourage mergers, consolidations and acquisitions among financial institutions for a fortified Philippine banking system.

Strengthening Program for Rural Banks (SPRB)

The SPRB was successfully launched on August 3, 2010 with the signing of the Memorandum of Agreement between the PDIC President and the BSP Governor in ceremonies held at the PDIC Office. The launch was also attended by rural bankers headed by the President of the Rural Bankers Association of the Philippines (RBAP).



L-R: BSP Deputy Governors Diwa C. Guinigundo and Nestor A. Espenilla, Jr., Governor Amando M. Tetangco, Jr., PDIC President Jose C. Nograles, Executive Vice President for Examination and Resolution Sector Imelda S. Singzon and RBAP President Corazon Liamzon-Miller during the SPRB launch on August 3, 2010.

The SPRB is a joint initiative of the PDIC and the BSP cognizant of the important contribution of rural banks in countryside banking and in helping sustain countryside development. The program aims to strengthen and revitalize the rural banking system through mergers and consolidations.

The program is backed by a P5.0 billion funding from the PDIC and the BSP, and will be available until August 2012. Merging or consolidating banks will be granted assistance, in the form of financial support consisting of a combination of preferred shares and direct loan, and regulatory relief to be granted by the BSP.

To promote the program, PDIC and BSP coordinated with the RBAP for the conduct of six roadshows nationwide. During the roadshows, rural bankers were informed of the salient features and mechanics of the program and encouraged to avail of the facility. The program was also presented during RBAP's 53rd Charter Anniversary Symposium.

A total of 11 applications for availment of incentives under the SPRB were received by the PDIC and BSP, involving 18 rural banks. As of year-end, evaluation of four applications was ongoing, two were denied due to management and viability concerns, and three were referred to the Investor-Investee Helpdesk. The rest of the applicant banks failed to comply with the eligibility requirements.



Series of roadshows on the SPRB were conducted nationwide.

Investor-Investee Helpdesk

At the start of the year, PDIC launched the Investor-Investee Helpdesk to assist banks interested to merge and consolidate. The Helpdesk is an electronic matchmaking facility for banks looking for investors, and banks or non-bank financial institutions looking to invest in banks. It complements the SPRB in promoting mergers and consolidations for a sound and stable banking system.

The matching process is based on the information and preferences that the applicants provide. Under the terms and conditions of the Helpdesk, both applicants and the

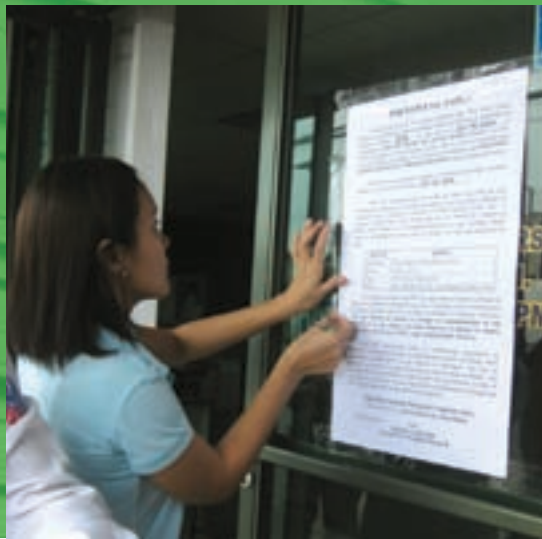
PDIC are bound by the confidentiality provision until a match is made. Once a match is made, the PDIC will merely notify the concerned parties. The notification does not constitute an endorsement by PDIC. The parties are expected to independently discuss and negotiate terms and conditions for possible merger, acquisition or consolidation.

In 2010, a total of 41 banks applied and were registered with the Helpdesk, comprising of 27 investors and 14 investees. Registered banks remain on the active list for six months unless there is a request for extension or delisting. As of yearend, 26 investors and 9 investees are in the Helpdesk active list.



L-R: PDIC Executive Vice President for Receivership and Liquidation Sector Cristina Q. Orbeta, BAP President Aurelio Montinola III, PDIC President Jose C. Nograles, RBAP President Joseph Omar O. Andaya, CTB President Pascual M. Garcia and PDIC Executive Vice President for Examination and Resolution Sector Imelda S. Singzon during the launch of the Investor-Investee Helpdesk on January 12, 2010.

Receivership AND LIQUIDATION



The total number of banks under PDIC receivership and liquidation reached **548** as of end 2010.



Receivership and Liquidation

BANK CLOSURES

The cumulative number of banks under PDIC receivership and liquidation reached 548 at the end of 2010. This consisted of two commercial banks, 63 thrift banks and 483 rural banks. By region, closed banks were distributed as follows:

Region	No. of Closed Banks
1	58
2	14
3	83
4	80
5	57
6	62
7	27
8	25
9	10
10	17
11	23
12	9
ARMM	20
CAR	12
CARAGA	11
NCR	40
Total	548

As statutory receiver of closed banks, PDIC took control of 25 banks with 60 banking units, placed under receivership by the Monetary Board in 2010. It inventoried the assets, documents and liabilities of these banks to determine their financial condition and evaluated rehabilitation proposals submitted by interested parties. In 2010, it submitted 23 Receivership Reports to the Monetary Board declaring that the banks cannot be rehabilitated nor can they be permitted to resume business with safety to the depositing public.



As Receiver, the Corporation inventoried the assets, records and liabilities of 25 closed banks placed under PDIC receivership.

Banks Closed in 2010

	Name of Bank	Head Office Location	Date Ordered Closed by MB
1	Apex Rural Bank (Bulacan), Inc.	Bulacan	14-Jan-10
2	Rural Bank of Laoac (Pangasinan), Inc.	Pangasinan	11-Feb-10
3	Rural Bank of Ivisan (Capiz), Inc.	Capiz	4-Mar-10
4	EuroCredit Community Bank, Inc. – A Rural Bank	Cagayan	4-Mar-10
5	Bani Rural Bank (Pangasinan), Inc.	Pangasinan	20-May-10
6	BMS Rural Bank Inc.	Metro Manila	24-May-10
7	Rural Bank of Ozamiz City, Inc.	Misamis Occidental	27-May-10
8	Cooperative Bank of Camarines Sur	Camarines Sur	27-May-10
9	Cooperative Bank of Nueva Ecija	Nueva Ecija	27-May-10
10	Rural Bank of Bangued (Abra), Inc.	Abra	17-Jun-10
11	Rural Bank of San Antonio (Zambales), Inc.	Zambales	8-Jul-10
12	Peñafrancia Savings and Loan Association, Inc.	Camarines Sur	8-Jul-10
13	Rural Bank of Saint Joseph (Baras, Rizal), Inc.	Rizal	15-Jul-10
14	Rural Bank of Isulan (Sultan Kudarat), Inc.	Sultan Kudarat	22-Jul-10
15	Rural Bank of Milaor (Camarines Sur), Inc.	Camarines Sur	12-Aug-10
16	Rural Bank of San Antonio de Padua (Pila, Laguna), Inc.	Laguna	26-Aug-10
17	Rural Bank of Pitogo, Inc.	Quezon	26-Aug-10
18	Rural Bank of Sta. Cruz, Inc.	Marinduque	2-Sep-10
19	Cooperative Bank of Lanao del Norte	Lanao del Norte	16-Sep-10
20	Rural Bank of Ayungon (Negros Oriental), Inc.	Negros Oriental	14-Oct-10
21	Rural Bank of Lagonoy (Camarines Sur), Inc.	Camarines Sur	14-Oct-10
22	Rural Bank of Hinigaran (Negros Occidental), Inc.	Negros Occidental	14-Oct-10
23	Assemblyman Rafael B. Legaspi Rural Bank of Aklan, Inc.	Aklan	4-Nov-10
24	Rural Bank of Sta. Rosa (Nueva Ecija), Inc.	Nueva Ecija	9-Dec-10
25	First Country Rural Bank (Pasig City), Inc.	Metro Manila	9-Dec-10

CLOSED BANK ASSETS

PDIC manages the affairs and assets of closed banks with the objective of recovering and liquefying assets for the benefit of its creditors.

In 2010, cash generated from sale of assets and loan collections amounted to P573.2 million. This is 12% higher than cash recoveries of P511.4 million in 2009. Loan collections amounted to P386.9 million, while disposal of ROPA and personal properties generated almost P159.4 million, more than double the P63.9 million sales in 2009.

Cash Recoveries (In Million Pesos)	
Loan Payments	386.9
Disposal of ROPA/personal properties	159.4
Other Recoveries	26.9
Total	573.2

ROPA sold thru public bidding amounted to P23.2 million. Properties not sold thru bidding are subsequently offered for negotiated sale. ROPA sold via negotiated sale amounted to P108.4 million.

The Estimated Realizable Value of Assets (ERVA) of closed banks under management by PDIC was valued at P15.8 billion as end of December 2010. Of this amount, 38% or P6 billion were in cash and other liquid assets, 29% or P4.6 billion were loans, while 33% or P5.2 billion consist of Real and Other Properties Acquired (ROPA), bank premises, furniture, fixtures and equipment, and other assets. PDIC manages the P6 billion cash and other liquid assets in trust for the closed banks by investing these in government securities or depositing these with government banks.

ASSET DISTRIBUTION

PDIC, as Liquidator of closed banks, prepares a Project of Distribution (POD) covering the detailed distribution plan of a closed bank's assets to its creditors. This is submitted to the Liquidation Court for approval.

During the year, 28 final PODs were filed with the courts. The courts approved 34 FPODs leaving 44 FPODs still pending with the courts. Total assets distributed in 2010 to creditors of closed banks with court-approved PODs amounted to P452.5 million for 139 closed banks.

Closed Bank Creditors	Amount Distributed (In Million Pesos)	
	as of end 2009	as of end 2010
CB-Board of Liquidators	4,232.7	4,234.6
Bureau of Treasury	2,015.6	2,025.5
PDIC	1,543.4	1,791.3
BSP	891.0	1,011.0
Bureau of Internal Revenue	675.8	681.0
Asset Privatization Trust	8.1	8.1
Other Creditors	467.8	535.4
Total	9,834.4	10,286.9

As of end December 2010, PDIC had distributed P10.3 billion worth of assets to creditors of closed banks representing 92.6% of total assets approved for distribution. This includes closed banks with final and partial PODs.

OPERATIONS IMPROVEMENTS

To increase effectiveness and efficiency in delivering PDIC's mandate as receiver of closed banks, guidelines and procedures on receivership and liquidation, and asset management procedures were reviewed in 2010.

Process improvements in critical areas of receivership and liquidation operations have been introduced during the year and shall be integrated into the Standard Operating Guidelines and Instructions (SOGI).

Guidelines on Records Management were put in place to ensure that closed bank records are systematically stored to facilitate retrieval and management. In order to safeguard the paintings and artworks of closed banks in the custody of PDIC, the policy and procedures on inventory and valuation of artworks and paintings were prepared and implemented. Furthermore, Guidelines on Property Appraisal were standardized to align these with international valuation standards and market practice. The revised guidelines will also allow for more systematic scheduling of appraisal tasks.

For consistency in the management, resolution and disposal of ROPA and loans of closed banks and those acquired by the Corporation policies were harmonized. The adoption of uniform set of rules will facilitate the evaluation and review process and eliminate inefficiencies, and risks attendant to inconsistent application of policies.

To facilitate the distribution of assets to creditors, PDIC started to use pre-printed and carbonized unilateral Deed of Assignment for assignment of ROPA. This will eliminate the time spent for negotiating and rewording terms and conditions of assignment of assets, as well as the time spent for review of the documents.

Claims SERVICING



The waiver of filing claims and submission of evidence of deposits for accounts with balances of P5,000 and below enabled the **expeditious payment of deposit insurance to small depositors.**

Claims Servicing



PDIC provides deposit insurance up to the maximum deposit insurance coverage (MDIC) of P500,000 for each depositor for all valid accounts.

Spurred by the monumental challenges of the Legacy banks' closure, as well as the record-high number of bank closures in 2009, PDIC stepped up process improvements to settle depositors' claims in the most efficient manner and shortest possible time.

Several policy changes were implemented to reduce the waiting time of depositors and ensure the delivery of payments of deposit insurance for valid accounts. Foremost among these is the waiver of filing of claims and submission of evidence of deposits for accounts with balances of P5,000 and below. The waiver enabled the expeditious payment of deposit insurance to small depositors with complete addresses in the bank records and with no outstanding loans. The Corporation paid 94% of total valid deposits with balances of P5,000 and below within 30 days from approval of the Initial Register of Estimated Insured Deposits.



In addition to cash payments for small balances of P5,000 and below, and check payments, PDIC has made arrangements for three alternative payment schemes for deposit insurance claims, namely: 1) Postal Money Order (PMO); 2) Cash Card; and, 3) Cash Over the Counter (COTC). PDIC signed a Memorandum of Agreement (MOA) with the Philippine Postal Corporation on October 20, 2010 to implement the PMO scheme. The PMO was used to service depositors with account balances of P5,000 and below. The PMO may be encashed in any of the over 1,400 local post offices and more than 300 branches of Land Bank of the Philippines (LBP) nationwide. PDIC also signed a MOA with LBP on November 17, 2010 for the cash card and COTC schemes which will be available starting next year. These alternatives will make it faster and more convenient for depositors of closed banks to receive payment for their insured deposits.



Cumulative number of claims paid over the years since the 1970s reached almost **1.9 million** accounts representing total payments of **P36.7 billion** as of yearend.

The Cash Card scheme will be available for accounts with balances above P5,000 up to P100,000. Depositors will benefit from this mode by being able to withdraw from more than 800 LBP ATMs nationwide and in ATMs of member-banks of major bank networks. Adoption of the mode is expected to cut down the turnaround time in preparing and mailing check payments from 25 days to about 10 days.

The COTC scheme will be for insurance claims payments exceeding P100,000 up to the MDIC of P500,000. This mode is expected to reduce the turnaround time for payment from 25 days to 7 days from claims approval.

The Corporation paid a total of P10.4 billion in deposit insurance claims during the year. This comprised of insurance payments for depositors in banks closed in 2010 as well as in previous years, insurance payouts of which were continued in 2010 as depositors completed the requirements.

Cumulative number of claims paid over the years since the 1970s reached almost 1.9 million accounts representing total payments of P36.7 billion as of yearend.

Deposit Insurance Claims Payments for 2010

Year	No. of Banks	Banking Units	Insured Deposits Paid	
			Accts	Amount (in billion pesos)
2010	23	59	40,818	1.3
Prior to 2010	77	247	178,141	9.1
GRAND TOTAL	100	306	218,959	10.4

Claims Settlement Operations (CSO)

as of December 31, 2010 (In Million Pesos)

Particulars	Banking Units	Total Adjusted Deposit Liabilities		Total Estimated Insured Deposit		Claims Filed ¹		Insured Deposit Paid	
		Accts	Amount	Accts	Amount	Accts	Amount	Accts	Amount
Banks started CSO prior to 2010	1,359	6,110,680	60,915.31	2,469,620	40,555.34	1,739,208	41,205.00	1,763,931	33,411.57
Banks started CSO in 2010	131	206,632	6,157.44	205,893	5,752.30	44,841	5,396.83	103,475	3,316.04
1 Winbank, Inc. (A Thrift Bank)	13	11,460	567.70	11,460	465.95	3,520	504.02	3,128	295.18
2 Rural Bank of Maribojoc (Bohol), Inc.	1	3,119	74.93	3,119	61.57	967	70.01	2,063	42.19
3 Banco Agricola, Inc. (A Rural Bank)	11	3,234	80.88	3,234	71.08	889	72.13	1,537	44.33
4 Rural Bank of Mabinay (Negros Oriental), Inc.	2	1,894	171.28	1,894	156.49	972	176.82	1,249	119.62
5 Cardinal Rural Bank (Cebu), Inc.	1	1,097	99.27	1,097	95.12	677	91.01	707	58.35
6 Advance Rural Bank	4	924	36.17	924	36.09	217	30.53	703	14.58
7 Philippine Farmers' Bank, Inc. (A Rural Bank)	14	23,147	1,102.73	23,147	1,060.02	6,539	1,153.82	9,105	766.87
8 Rural Bank of Dasol (Pangasinan), Inc.	5	5,452	106.41	5,452	105.43	1,186	98.63	2,975	78.46
9 Rural Bank of Libon (Albay), Inc.	1	1,110	7.49	1,110	5.71	85	6.13	975	3.96
10 Rural Bank of Sarrat (Ilocos Norte), Inc.	1	551	8.37	551	7.60	173	6.78	487	4.16
11 Balayan Bay Rural Bank (Batangas), Inc.	1	99	5.87	99	5.50	45	4.10	45	2.47
12 Rural Bank of San Idefonso (Bulacan), Inc.	1	4,203	150.77	4,203	150.70	1,171	129.55	3,682	114.00
13 Camiguin Cooperative Rural Bank, Inc.	3	2,652	20.96	2,652	17.47	263	14.62	1,073	9.49
14 Kaunlaran Rural Bank (Pangasinan), Inc.	1	7,635	346.41	7,635	320.30	2,546	301.02	3,929	172.54
15 Rural Bank of Tacurong (Sultan Kudarat), Inc.	3	3,232	16.97	3,232	16.36	384	13.20	2,369	11.02
16 President Roxas Rural Bank (Capiz), Inc.	1	253	2.12	253	1.87	36	1.62	170	1.32
17 Rural Bank of Bautista (Pangasinan), Inc.	4	8,591	150.62	8,591	144.99	1,355	130.40	6,065	80.89
18 Rural Bank of Malasiqui (Pangasinan), Inc.	3	35,845	486.70	35,845	478.31	4,072	419.81	13,469	200.49
19 Corfarm Rural Bank of Umingan (Pangasinan), Inc.	2	12,645	65.69	12,645	65.62	675	52.40	8,926	44.37
20 Apex Rural Bank (Bulacan), Inc.	1	1,892	147.89	1,892	147.77	672	113.65	1,387	81.34
21 Rural Bank of Laoac (Pangasinan), Inc.	1	449	8.98	449	8.98	110	8.01	355	6.40
22 Rural Bank of Ivisan (Capiz), Inc.	1	1,121	24.53	1,121	24.44	361	23.39	731	21.20
23 EuroCredit Community Bank, Inc. (A Rural Bank)	3	4,810	39.08	4,810	33.02	559	31.28	3,723	22.83
24 Bani Rural Bank (Pangasinan), Inc.	6	9,256	163.21	9,256	149.58	2,710	148.86	6,981	105.28
25 BMS Rural Bank, Inc.	13	5,921	1,156.00	5,921	1,077.80	4,027	884.27	2,890	477.27
26 Cooperative Bank of Camarines Sur	3	5,946	83.22	5,946	82.13	669	66.68	2,689	38.57
27 Rural Bank of Ozamiz City, Inc.	1	584	7.87	584	5.67	17	5.93	187	1.08
28 Cooperative Bank of Nueva Ecija	5	5,273	167.63	5,273	146.77	1,417	144.27	2,927	93.83
29 Rural Bank of Bangued (Abra), Inc.	1	233	0.75	233	0.75	36	0.52	221	0.63
30 Rural Bank of San Antonio (Zambales), Inc.	1	5,910	109.50	5,910	102.39	1,651	95.11	2,964	54.75
31 Peñafrancia Savings and Loan Association	2	2,747	196.97	2,747	187.20	1,111	168.03	1,407	121.45
32 Rural Bank of Saint Joseph (Baras), Inc.	1	326	47.33	326	47.28	195	43.43	201	22.42
33 Rural Bank of Isulan (Sultan Kudarat), Inc.	4	5,601	16.13	5,601	15.15	283	9.54	1,142	5.44
34 Rural Bank of Milaor, Inc.	1	1,320	36.27	1,320	35.74	256	34.16	806	21.37
35 Rural Bank of Pitogo (Quezon), Inc.	2	7,848	116.14	7,848	108.54	1,193	87.65	2,355	36.73
36 Rural Bank of San Antonio de Padua (Laguna), Inc.	3	5,019	118.24	5,019	108.88	1,486	105.90	3,136	69.40
37 Rural Bank of Sta. Cruz (Marinduque)	2	6,029	79.24	6,029	74.35	1,004	58.19	3,304	36.69
38 Cooperative Bank of Lanao del Norte	1	1,525	41.02	1,525	40.87	357	32.14	647	20.23
39 Rural Bank of Lagonoy (Camarines Sur)	1	760	12.71	775	12.81	114	9.32	443	4.16
40 Rural Bank of Ayungon (Negros Oriental), Inc.	1	523	13.95	523	13.93	101	9.85	323	4.80
41 Rural Bank of Hinigaran (Negros Occ.), Inc.	4	5,895	56.04	5,141	48.70	623	27.56	1,627	1.10
42 Assemblyman Rafael B. Legaspi Rural Bank of Aklan, Inc.	1	501	13.37	501	13.37	117	12.49	372	4.76
GRAND TOTAL	1,490	6,317,312	67,072.75	2,675,513	46,307.64	1,784,049	46,601.84	1,867,406	36,727.61

¹Includes valid accounts with balances of P5,000 and below, for which filing of claim has been waived.

ISO 9001:2008 CERTIFICATION ON QUALITY MANAGEMENT SYSTEM OF CLAIMS SETTLEMENT OPERATIONS (CSO)

PDIC continues to improve and simplify its claims processes, in line with its objective of becoming a world-class organization in depositor protection. In 2010, the Corporation set up a Quality Management System (QMS) for claims settlement operations (CSO) that is aligned with the requirements of ISO 9001: 2008 standards. The system was awarded the prestigious ISO

9001:2008 certification for Quality Management System on June 16, 2010, auspiciously coinciding with the start of the Corporation's Depositors Protection and Awareness Week. The ISO certification was awarded after PDIC successfully passed the two-stage audit from a third party certifying body without findings of non-conformity.

The ISO certification is recognized internationally as an assurance of quality and reliability in organizations and businesses. ISO certification is spearheaded by the International



L-R: Senior Vice President for Corporate Services Sector Alma Teresa R. Malanog, Executive Vice President for Receivership and Liquidation Sector Cristina Q. Orbeta, Vice President for Claims Group Elizabeth E. Oller, President Jose C. Nograles, Senior Vice President for Management Services Sector Ma. Ana Carmela L. Villegas and Executive Vice President for Examination and Resolution Sector Imelda S. Singzon during the unveiling of PDIC's Quality Policy Statement. PDIC's Quality Policy Statement was unveiled in support of the Corporation's quest for the ISO 9001:2008 certification.

Organization of Standardization, the world's largest developer and publisher of international standards for business, government and society. The ISO is a network of national standard institutes of 163 countries and is based in Geneva, Switzerland. The ISO 9001:2008 certification for PDIC's QMS for CSO was awarded by Certification International Philippines, Inc. (CIPI), the Philippine affiliate of Certification International, based in Wiltshire, United Kingdom. CIPI is the first certifying body to be accredited by the Bureau of Product Standards in the Philippines.

ISO standardizes the way businesses are run. Processes are written and documented, documents and records are organized and functions streamlined, allowing fewer disruptive effects to overall operations in case of management change and employee turnaround.

The certification attests that PDIC's QMS for CSO is aligned with internationally accepted best practices. It is a testament to the Corporation's commitment to consistently raise the bar of service to depositors to align with world-class standards.



In June 2010, PDIC was awarded the prestigious ISO 9001:2008 certification for its Quality Management System for claims settlement operations. (L-R) PDIC Director Rogelio W. Manalo, Certification International Philippines, Inc. Managing Director Renato Navarrete, PDIC President Jose C. Nograles and PDIC Director Jovencito Zuño.

Support

INFRASTRUCTURE



The workforce rallied behind the Corporation to strengthen its capability to respond to future challenges and pursue its vision of becoming a **world-class** organization in depositor protection.

Support Infrastructure



HUMAN RESOURCES

Emerging from the daunting strain of simultaneous bank closures and massive payout operations in 2009, the workforce rallied behind the Corporation as it sought to strengthen its capability to respond to future challenges, and pursue its vision of becoming a world-class organization in depositor protection.

In line with this, the 553-strong officers and staff vigorously supported the bid for certification of PDIC's QMS for CSO under ISO 9001:2008.

With the ISO certification of the QMS for CSO in place, PDIC launched the Work Improvement Team (WIT) Program aimed at inspiring the workforce to share their ideas on how to further enhance efficiency and productivity and develop a discipline of initiative and innovativeness. The program involved all sectors of the Corporation, as work teams implemented projects to address problems identified within their respective areas.

Accordingly, a major thrust in the year's learning and development initiatives was to provide training support in the implementation of the WIT Program and the ISO Certification project itself. A basic training on productivity concepts, systems and tools was given to over 200 WIT participants, facilitators and members of the ISO Core Team. ISO-support programs included orientations on ISO concepts, cascades of standard operating guidelines and instructions, and the conduct of an Appreciation Course on 5S of Good Housekeeping for all

claims settlement operations units. Alongside, a number of in-house programs to enhance skills and competence in customer service, core business processes and management were implemented during the year. Learning sessions on gender and women empowerment, as well as disaster preparedness were also undertaken.

For external training, PDIC continued to take part in the regional programs conducted by the APEC-Financial Regulators Training Initiative (FRTI) and the Asian Development Bank. The Corporation is actively represented in the APEC-FRTI Advisory Group which identifies training needs and prioritizes the conduct of training programs. PDIC also co-hosted with the BSP training programs deemed most needed by staff such as Bank Examination and Risk Management.

Employee health and wellness remained a key component of human resource initiatives for 2010. A corporate-wide sports event was held in June to provide officers and staff a recreational break that also fostered teambuilding and camaraderie. Likewise, a number of health and medical activities were conducted in collaboration with pharmaceutical companies to improve employees' sense of well-being. Instilling corporate social responsibility and volunteerism, PDIC employees participated in the annual bloodletting project of the Philippine Children's Medical Center (PCMC) for the benefit of children-patients.



PDIC employees engaged in various wellness activities.



WIT participants brainstormed on how to improve efficiency and productivity in the workplace.

LEGAL AFFAIRS

In pursuit of its legislative agenda and to further protect the interests of depositors and creditors of closed banks, PDIC recommended before the Senate and the House of Representatives the passage of a comprehensive law to govern the liquidation of closed banks in the Philippines. Referred to as the Closed Bank Liquidation Act (CBLA), the proposed law aims to expedite the liquidation process for closed banks, as well as provide an orderly and prompt liquidation mechanism through the seamless transition from bank closure to liquidation.

The CBLA is a parallel legislation to the Financial Rehabilitation and Insolvency Act (FRIA) which covers the rehabilitation and liquidation of financially distressed companies. The CBLA also includes provisions on additional modes of liquidation such as bridge banking and enhanced purchase of assets and assumption of liabilities, as well as enhanced liquidation processes which are practiced by developed deposit insurance systems. The proposed law is also consistent with international best practices. Once passed, the law aims to lessen disruption and reduce resolution costs being incurred under the present

system. To pursue this, the Corporation undertook consultative meetings with the BSP, bank associations and members of the Legislature to gather inputs and support.

The New Central Bank Act mandates the PDIC, as Liquidator, to file Petitions for Assistance in the Liquidation (PAL) of closed banks with the proper regional trial court (RTC). However, there are as yet no prescribed Rules of Procedure in the conduct of bank liquidation proceedings. On several occasions during the conduct by the PDIC and the Philippine Judicial Academy of the series of “Seminar-Workshop on Deposit Insurance, Banking Practices and Bank Conservatorship, Receivership and Liquidation” nationwide, judges from the RTCs from the National Capital Region, Southern Luzon, the Visayas and Mindanao regions, raised the need for uniformity in the conduct of the liquidation proceeding and strongly encouraged and recommended the promulgation of Rules of Procedure for the PALs. Accordingly, during the latter part of the year, PDIC drafted the Rules of Procedure for PALs of Closed Banks for submission to the Supreme Court. It is expected that the proposed rules of procedures will help expedite the liquidation proceedings of PALs pending before various RTCs nationwide and facilitate PAL proceedings in the future.



PDIC and PhilJA conducted a series of seminar-workshops on Deposit Insurance, Banking Practices and Bank Conservatorship, and Receivership and Liquidation nationwide. (L-R) Justice Delilah V. Magtolis, Chief of Office for Academic Affairs of PhilJA, PDIC General Counsel Atty. Romeo M. Mendoza, Jr., Justice Estela M. Perlas-Bernabe, Court of Appeals Manila, BSP General Counsel Atty. Juan de Zuniga Jr., PDIC Vice President for Litigation and Investigation Group Atty. Ma. Antonette Brillantes-Bolivar, and PhilJA's Atty. George Cheselden V. Carmona.

Meanwhile, a total of eight estafa (large scale and syndicated) cases were filed against the owner, and other former officers, employees and agents of the Legacy Banks before the Special Panel of Prosecutors. The Special Panel was directed by the Department of Justice to conduct the preliminary investigation of criminal complaints involving the Legacy Group of Companies.

A case for Refusal to Turnover Bank Records under Section 21 (f) (7) & (8) of The PDIC Charter, was also filed against the former officers and employees of Pilipino Rural Bank, one of the Legacy banks, before the DOJ Task Force on Financial Frauds.

The cases filed by the stockholders of Rural Bank of Sapang Dalaga (Misamis Occidental), Inc. and The Bank of Cebu against PDIC, BSP and the Monetary Board questioning the

placements of their banks under PDIC receivership were dismissed with finality by the respective courts.

Similar cases were filed by the stockholders of Bicol Development Bank, Inc. and Banco Agricola, Inc. but these were likewise dismissed by the Court of Appeals.

INFORMATION TECHNOLOGY SYSTEMS

Projects to implement major information technology systems were initiated during the year to improve business processes, management of funds and recording of transactions. The Integrated Financial System (IFS) project was undertaken to replace the semi-automated Financial Accounting System (FAS) and Treasury and Investment Management System (TIMS).

Projects to implement major **information technology** systems were initiated during the year **to improve business processes.**



TIM President Salvador Aquino and PDIC President Jose C. Nograles during the signing of the contract to implement PDIC's Integrated Financial System.

An estimated five million digitized corporate documents were migrated to the EFARS in June. An additional 12 million documents shall be uploaded into the EFARS within the next two years after these have been scanned and indexed. As of yearend, more than seven million documents out of the planned 12 million have been uploaded.

The Corporation purchased a Business Intelligence (BI) tool to address the need to expedite the preparation of reports with varying degrees of complexity that are used for operations and management decision-making. The BI tool was initially applied at the Bank Statistics Department, specifically for the generation of off-site risk rating of banks and aggregate deposit data. The automation of several processes involved in the generation of these reports allowed for more frequent and timely generation of off-site risk rating data from semestral to quarterly.



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Public ASSISTANCE



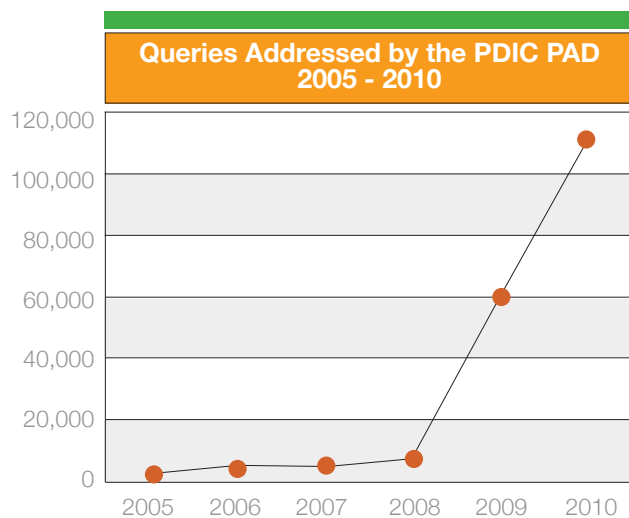
PDIC **responded to queries** which grew at an explosive rate.



Public Assistance

In the past two years, PDIC responded to queries which grew at an explosive rate. From 4,948 in 2008, it vaulted to 60,791 in 2009 and breached the 100,000 mark to rise by 82% reaching 113,270 in 2010. This is an offshoot of successive bank closures and increased public awareness on deposit insurance and the presence of PDIC. Cognizant of the need for the continuous delivery of quality public service, the Corporation expanded its quick response unit, the Depositors Assistance Bureau, to the Public Assistance Department.

PDIC Helpdesk staff addressed queries of depositors and the general public who personally visited the PDIC office. Replies were also made to queries by phone and by mail both regular mail and e-mail. The Corporation deployed frontline personnel to closed bank sites and other venues during bank takeovers and claims settlement operations.



Year	Queries Addressed
2005	1,153
2006	2,480
2007	3,017
2008	4,948
2009	60,291
2010	113,270



In addition, Depositors Forums were conducted in the field for closed banks to disseminate information on bank closures and to explain the requirements and procedures for filing deposit insurance claims. PDIC staff also distributed claim forms during Forums and taught depositors how to fill out said forms. Depositors' queries were also addressed during the Forums.

For 2010, a total of 52 Depositors Forums for 25 closed banks were conducted nationwide.



The conduct of the Depositors Forum provided depositors the venue to understand the requirements and procedures in filing deposit insurance claims.

Advocacy



PDIC sustained its commitment to promote **depositor awareness** through relevant advocacies.

Advocacy



PDIC sustained its commitment to promote depositor protection through relevant advocacies. The Corporation collaborated with the Bangko Sentral ng Pilipinas and the four major bank associations, namely the Bankers Association of the Philippines, the Chamber of Thrift Banks, the Rural Bankers Association of the Philippines, and the Bank Marketing Association of the Philippines in the conduct of roadshows in Visayas and Mindanao for its Be A Wise Saver (BAWS) campaign. The campaign is anchored on the Seven Habits of a Wise Saver and is aimed at instilling safe and responsible saving among depositors and potential depositors.

The Corporation actively took part in the consumer protection and education program of the Financial Sector Forum (FSF). This involved the preparation and dissemination of public advisories on savings and investments and participation in financial literacy expos. The FSF, composed of the BSP, PDIC, the Securities and Exchange Commission, and the Insurance Commission, is a high level inter-agency body created to promote coordination among financial regulators to help address regulatory gaps and provide a forum for emerging issues.

The Corporation sustained its relationships with member banks during the year. To enhance relationship with the banking industry, PDIC participated in dialogues on issues affecting the industry. The PDIC President attended a dialogue with the Cebu Federation of Rural Banks and the RBAP Board of Directors in Cebu City, and addressed the Confederation of Central Luzon Rural Banks during its Management Conference in Clark, Pampanga. The PDIC Executive Vice President for Examination and Resolution Sector likewise delivered the keynote address for RBAP's 53rd Charter Anniversary at the SMX Convention Center in October.

Be a
Wise Saver



Institutional RELATIONS



In recognition of the efforts of the Corporation to contribute to depositor protection and financial stability, PDIC was nominated for the IADI **“Deposit Insurance Organization of the Year”** award.

Institutional Relations



In support of PDIC's vision of becoming a world-class organization in depositor protection, PDIC participated in activities of the International Association of Deposit Insurers (IADI) and interfaced with peer deposit insurers worldwide. The PDIC President remained a member of the IADI Executive Council. He was appointed Chairman of IADI's Audit Committee during the year.

In recognition of the efforts of the Corporation to contribute to depositor protection and financial stability, PDIC was nominated for the IADI "Deposit Insurance Organization of the Year" award.

PDIC organized and hosted the IADI Summit Conference on Strengthening Deposit Insurance in Crisis and Post Crisis Situations and Claims Management Seminar in April 2010. During the Summit, insights were shared during the discussion on the pre-emptive actions undertaken as a response to the financial crisis. The Finance Secretary and PDIC Board Chairman delivered the keynote remarks during the event participated in by heads and other ranking officials from deposit insurance institutions in Asia, US, Europe and Africa; as well as the Secretary General of the IADI.



Heads of deposit insurance organizations discuss their respective crisis and post-crisis responses during the IADI Summit Conference.



PDIC also attended other IADI conferences and training programs throughout the year as resource speaker and participant namely the Executive Training Program on Resolution of Problem Banks and Claims Management: Reimbursement to Insured Depositors Seminar held in Washington D.C., USA, and the Asia Pacific Regional Committee Meeting and International Conference in Goa, India.

PDIC hosted study visits of officers from Kenya Deposit Protection Fund Board and Indonesia Deposit Insurance Corporation. The foreign visitors were briefed on PDIC's bank resolution processes and information technology framework, and in turn, they also shared their experiences and insights on various deposit insurance related operations and issues.



Heads of deposit insurance systems worldwide gather during the IADI Summit Conference on Strengthening Deposit Insurance in Crisis and Post-Crisis Situations and Claims Management Seminar on April 26-29, 2010. Former Secretary Margarito B. Teves (7th from left) was keynote speaker.

Governance



To enhance governance and develop further the competencies of the members of the Board, the PDIC Board of Directors participated in **capability-building programs.**

Governance



The PDIC Board of Directors demonstrated an unwavering commitment to strengthen corporate governance by diligently performing its oversight supervision over the Corporation's internal audit and risk management functions to ensure operational efficiency.

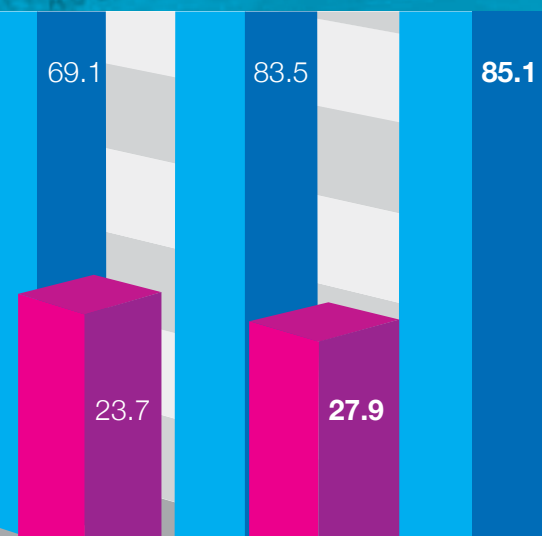
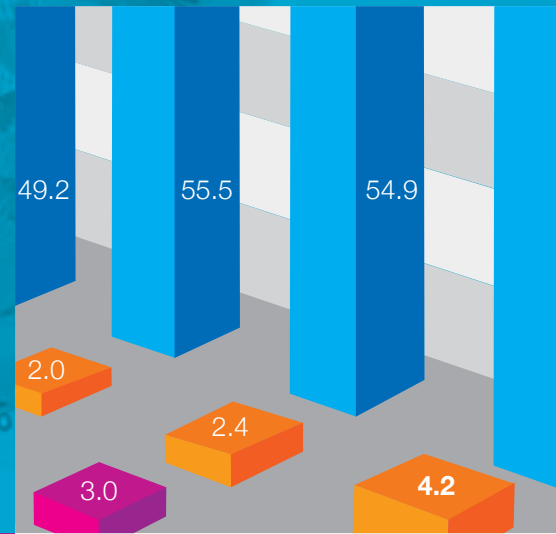
Following a directive from the Secretary of Finance and PDIC Board Chairman to identify key result areas that have the greatest impact to the public, PDIC identified DIF adequacy as its institutional key result area (KRA), supported by institutional mandate-based key performance indicators. Accordingly, PDIC worked closely with the Department of Finance in aligning the corporate plan and programs with the targets of the national government.

To enhance governance and develop further the competencies of the members of the Board, the PDIC Board of Directors and officers participated in capacity-building programs such as the Corporate Governance Orientation Program and the Professional Directors Program conducted by the Institute of Corporate Directors.



Members of the PDIC Board and Management committee participate in capacity-building programs on corporate governance to enhance competencies.

Financial PERFORMANCE



The Corporation's total resources increased by P6.7 billion, to P156.7 billion or **4.4% higher** than the P150.0 billion registered in 2009.



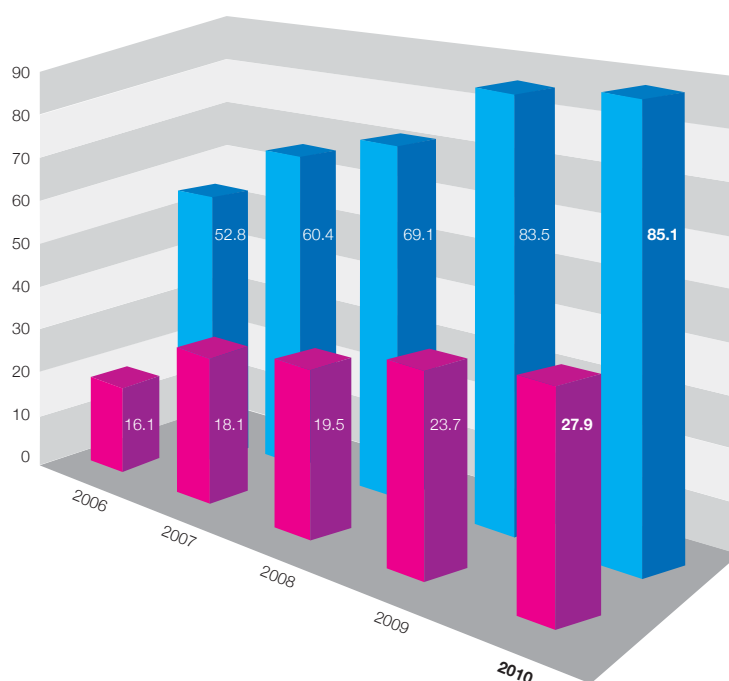
Financial Performance

ASSETS

The Corporation's total resources increased by P6.7 billion, to P156.7 billion or 4.4% higher than the P150.0 billion registered in 2009. Substantial gains in assessment collections from banks, income from investments and prudent management of operating costs contributed to the growth.

Investments

Investment assets grew by P5.7 billion to P113.1 billion, or 5.3% higher than last year's level of P107.3 billion. Fresh cash inflows from assessment collections and interest earnings during the year were invested mainly in Held-to-Maturity interest-bearing instruments consisting of peso special savings deposits and government securities.



INVESTMENTS

(in PHP Billion)

INVESTMENTS	2006	2007	2008	2009	2010
Corporate Portfolio ¹	52.8	60.4	69.1	83.5	85.1
Sinking Funds	16.1	18.1	19.5	23.7	27.9
Total	68.9	78.5	88.6	107.3	113.1

¹Includes P12 billion equity securities starting 2009.

The Corporate investment portfolio recorded an increase of P1.58 billion or 1.9% from P83.5 billion last year to P85.1 billion as the Corporation funded deposit insurance payout operations during the year. Meanwhile, the combined PDIC- and BSP-managed sinking fund grew by P4.1 billion from the previous year's P23.7 billion level to P27.9 billion on account of interest earnings, regular contributions to the funds and the transfer of P2.4 billion final contribution of PDIC to one sinking fund in April 2010. These sinking funds are being grown to repay loan obligations to the BSP.

Available-for-sale (AFS) investments consisted of P328 million in fixed rate treasury notes (FXTN) issued by the National Government and P12 billion subscription to Capital Notes issued by a commercial bank by way of conversion of the latter's outstanding obligations to PDIC for its Financial Assistance in 2003. AFS investments in FXTNs decreased by P6.9 million reflecting marked-to-market valuation as of year-end.

Loans and Receivables

PDIC's loans and receivables consisted of loans, receivables from closed banks, interest receivables and other receivables. Total loans and receivables grew by almost P2.0 billion to P37.5 billion, or 5.6% more than last year's P35.5 billion

because of the increase in net subrogated claims receivables (SCR) representing insured deposits paid during the year and accruals at yearend.

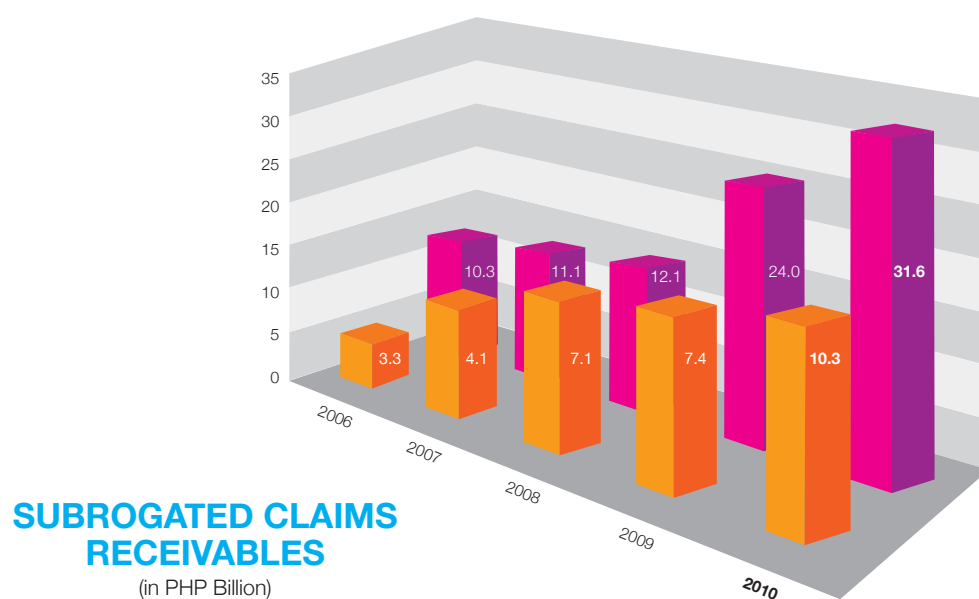
Loans

Total loans amounted to P24.6 billion comprising of P24.2 billion interest-bearing loans to eight banks and P445.8 million assets purchased with buy-back arrangements.

Receivables from closed banks

Receivables from closed banks grew by P3.0 billion to P11.5 billion, or 36.3% more than the P8.5 billion recorded in 2009. Receivables from closed banks included subrogated claims receivables (SCR), accounts receivables and loans receivables.

For 2010, SCR grew by P2.9 billion. This consisted of insured deposit payments of P4.0 billion and accruals of P6.7 billion net of P132.1 million recoveries and additional allowance for doubtful accounts of P7.6 billion. This represents a 40% increase from last year's P7.4 billion to P10.3 billion.



ACCOUNTS	2006	2007	2008	2009	2010
Subrogated Claims Receivables (SCR), Gross	13.6	15.2	19.2	31.4	41.9
Allowance for Probable Losses on SCR	10.3	11.1	12.1	24.0	31.6
Subrogated Claims Receivables (SCR), Net	3.3	4.1	7.1	7.4	10.3
Allowance/SCR	73.5%	72.9%	62.8%	76.6%	75.4%

Accounts receivable from receivership and liquidation (R/L) functions increased by P135.5 million to P1.2 billion, or 12.5% higher than last year's P1.1 billion mainly due to additional advances and allocated expenses.

On the other hand, loans receivable from closed banks representing financial assistance to banks that eventually closed remains unchanged at P24.6 million.

Interest Receivables

Interest receivables declined by P79.6 million to P1.3 billion or 5.7% lower than the P1.4 billion registered last year on account of the conversion of interest bearing notes from a commercial bank to capital notes starting April 2009.

Other Receivables

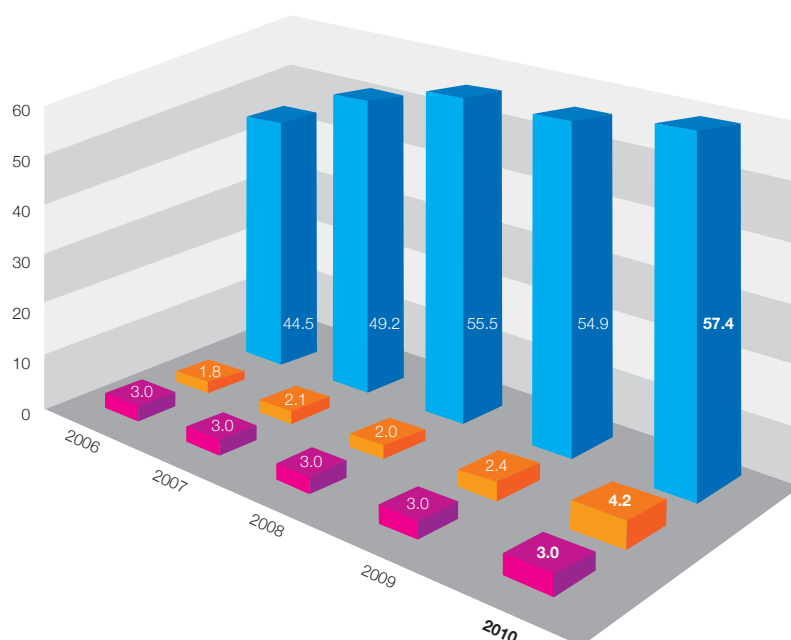
Other receivables dropped by P205 million to P320,000, 99.8% lower than the previous year's P205.4 million due to the reclassification of assets purchased from a bank from receivables to other assets.

LIABILITIES

Total liabilities increased by 2.6% to P92.1 billion from P89.8 billion due to the higher interests on loans from the BSP, inter-agency payable, and insured deposit claims payable. The latter refers to unpaid but validated insured deposits at yearend totalling 147,088 accounts. Meanwhile, loans payable decreased by P23.2 million to P72.6 billion as a result of payment of loans from the BSP.

DEPOSIT INSURANCE FUND

The DIF expanded by P4.3 billion, or 7.2% from P60.3 billion to P64.6 billion due to gains in retained earnings of P1.8 billion and insurance reserves of P2.5 billion. Retained earnings rose to P4.2 billion from P2.4 billion while insurance reserves climbed to P57.4 billion from P54.9 billion. The DIF is the capital account of the Corporation and principally consists of the Permanent Insurance Fund (PIF) at P3.0 billion, insurance reserves at P57.4 billion and retained earnings at P4.2 billion.



The DIF expanded by **P4.3 billion** or **7.2%** to P64.6 billion

DEPOSIT INSURANCE FUND

(in PHP Billion)

COMPONENTS	2006	2007	2008	2009	2010
Reserves for Estimated Insurance Losses	44.5	49.2	55.5	54.9	57.4
Retained Earnings	1.8	2.1	2.0	2.4	4.2
Permanent Insurance Fund	3.0	3.0	3.0	3.0	3.0
Deposit Insurance Fund	49.3	54.3	60.5	60.3	64.6



President Benigno S. Aquino III congratulates PDIC for being one of the top dividend remitters among GOCCs and GFIs in ceremonies held at the Malacañan Palace on January 28, 2011.

INCOME

The Corporation's comprehensive income reached P2.4 billion which grew at a significant rate of 491.9% from P405.6 million in 2009 due to income from tax subsidy of P1.2 billion and increase in assessment collection of P869.8 million. The tax subsidy resulted from charging of the Corporation's tax obligations to the Tax Expenditure Fund (TEF) which was provided by law to augment the DIF to ensure its continuous build-up.

Meanwhile, assessments collected from member banks hit a double-digit growth rate of 10.4% from P8.3 billion to P9.2 billion. In contrast, income from investments, financial assistance and other income declined. Income from investments and financial assistance declined by 10% and 14.9%, respectively. Income

from investments was down to P5.8 billion from last year's P6.5 billion due to a change in the accounting treatment of final taxes on investments income charged against the TEF. These were booked as part of investment income in 2009 but recorded as income from tax subsidy in 2010. Income from financial assistance dropped to P423.7 million from P497.8 million in 2009 due to the conversion of interest bearing loan of a commercial bank to capital notes starting April 2009.

DIVIDENDS TO THE NG

PDIC declared P581 million in dividends from its income from operations during the year in compliance with Republic Act No. 7656 also known as the Dividends Law of 1994.

Financial

STATEMENTS



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
CORPORATE GOVERNMENT SECTOR
CLUSTER A – Financial

September 29, 2011

Mr. Valentin A. Araneta
President
Philippine Deposit Insurance Corporation
Makati City

Sir:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the audit of the accounts and operations of the Philippine Deposit Insurance Corporation (PDIC) for the calendar year ended December 31, 2010.

Our attached report consists of two parts: Part I – Audited Financial Statements and Part II – Observations and Recommendations and Status of Implementation of Prior Years' Audit Recommendations.

We expressed a qualified opinion on the financial statements of the PDIC, as shown in the Independent Auditor's Report. Moreover, we invite your attention to the Observations and Recommendations as well as the prior years' unimplemented audit recommendations embodied in Part II of the report.

We therefore respectfully request that the recommendations contained in the report be implemented and that this Commission be informed of the actions taken thereon within 60 days from receipt.

We acknowledge the support and cooperation that the Management extended to us, thus facilitating the completion of this report.

Very truly yours,

A handwritten signature in black ink, appearing to read "Luz Loreto-Tolentino".

LUZ LORETO-TOLENTINO
Director IV

INDEPENDENT AUDITOR'S REPORT



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City
CORPORATE GOVERNMENT SECTOR
CLUSTER A - FINANCIAL

INDEPENDENT AUDITOR'S REPORT

The Board of Directors

Philippine Deposit Insurance Corporation
Makati City

We have audited the accompanying financial statements of Philippine Deposit Insurance Corporation, which comprise the statement of financial position as at December 31, 2010, and the statement of comprehensive income, statement of changes in deposit insurance fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As discussed in item no. 1 of the Observations and Recommendations portion of the audit report, the impairment loss on the Corporation's investment with a sequestered bank in 2009 amounting to P12 billion was not recognized in the 2009 financial statements. In the 2010 financial statements, Management still maintained its position not to recognize said impairment loss, which constitutes a departure from International Accounting Standards 39. Had the impairment loss been recognized by the Corporation, total expenses would have been increased by P12 billion and net income for the year would have been reduced by the same amount.

Qualified Opinion

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion, the financial statements present fairly, in all material respects, the financial position of Philippine Deposit Insurance Corporation as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

COMMISSION ON AUDIT

JULIA ELLA - MORENO
Supervising Auditor

STATEMENT OF FINANCIAL POSITION

As at December 31, 2010
(In Thousand Pesos)

	Note	2010	2009
ASSETS			
Cash and cash equivalents	3	4,788,462	4,305,796
Held-to-maturity investments	4	96,023,254	91,169,143
Available-for-sale investments	5	12,328,134	12,335,010
Loans and receivables	6	37,453,320	35,462,780
Property and equipment	7	155,380	182,796
Intangible assets	8	42,898	7,691
Other assets	9	5,937,633	6,589,683
TOTAL ASSETS		156,729,081	150,052,899
LIABILITIES AND DEPOSIT INSURANCE FUND			
Liabilities			
Accounts payable and other liabilities	10	11,982,718	9,904,101
Insured deposit claims payable	11	7,551,471	7,250,303
Loans payable	12	72,606,203	72,629,408
		92,140,392	89,783,812
Deposit Insurance Fund			
Permanent insurance fund		3,000,000	3,000,000
Estimated insurance losses		57,440,973	54,940,973
Retained earnings		4,189,791	2,366,101
Accumulated other comprehensive loss		(42,075)	(37,987)
		64,588,689	60,269,087
TOTAL LIABILITIES AND DEPOSIT INSURANCE FUND		156,729,081	150,052,899

The notes on pages 62 to 73 form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

For the period ended December 31, 2010
(In Thousand Pesos)

	Note	2010	2009
INCOME			
Assessments	13	9,207,843	8,338,021
Income from investments	14	5,838,323	6,484,976
Income from financial assistance	15	423,698	497,834
Income from tax subsidy	16	1,242,427	-
Other income	17	47,654	82,571
		16,759,945	15,403,402
EXPENSES AND CHARGES			
Operating expenses	18	1,140,961	1,538,318
Reserves for estimated insurance losses	20	2,500,000	-
Insurance and financial assistance losses	21	8,282,336	11,371,021
Interest on borrowings	22	2,238,112	2,079,983
		14,161,409	14,989,322
PROFIT BEFORE TAX		2,598,536	414,080
Income tax (MCIT)		193,583	11,606
PROFIT		2,404,953	402,474
OTHER COMPREHENSIVE GAIN/(LOSS)			
Unrealized gain/(loss) on AFS investments		(4,088)	3,170
TOTAL COMPREHENSIVE INCOME		2,400,865	405,644

The notes on pages 62 to 73 form part of these financial statements

STATEMENT OF CHANGES IN DEPOSIT INSURANCE FUND

For the period ended December 31, 2010
(In Thousand Pesos)

	2010	2009 (As Restated)
PERMANENT INSURANCE FUND		
Balance at beginning/end of year	3,000,000	3,000,000
ESTIMATED INSURANCE LOSSES		
Balance at beginning of year	54,940,973	55,547,973
Additions/(deductions)	2,500,000	(607,000)
Balance at end of year	57,440,973	54,940,973
RETAINED EARNINGS		
Balance at beginning of year	2,366,101	2,164,864
Net income after tax	2,404,953	402,474
Dividends to the National Government	(581,263)	(201,237)
Balance at end of year	4,189,791	2,366,101
ACCUMULATED COMPREHENSIVE GAIN/(LOSS)		
Balance at beginning of year	(37,987)	(41,157)
Unrealized gain/(loss) on AFS investments	(4,088)	3,170
Balance at end of year	(42,075)	(37,987)
DEPOSIT INSURANCE FUND	64,588,689	60,269,087

The notes on pages 62 to 73 form part of these financial statements

STATEMENT OF CASH FLOWS

For the period ended December 31, 2010
(In Thousand Pesos)

	Note	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Assessment collections		9,185,900	8,337,961
Collection from BTr of final withholding tax on investments		2,102,256	-
Collections of loans and assets acquired from banks		257,024	195,315
Collections of subrogated claims receivables		129,787	77,178
Income from financial assistance		55,757	472,175
Collections from banks under receivership and liquidation		49,804	121,292
Dividend, service and miscellaneous income		19,439	49,458
Payment of insured deposits		(10,345,658)	(5,019,945)
Maintenance and other operating expenses		(1,018,028)	(922,949)
Payment of interest on borrowings		(694,563)	(749,958)
Payment of various payables		(232,051)	(228,877)
Payment of cash advances and various receivables		(82,944)	(18,362)
Advances of receivership and liquidation operations		(12,478)	(9,024)
Payment of taxes / income tax deficiencies		(371)	(433,782)
Net cash provided by (used in) operating activities		(586,126)	1,870,482
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from matured investments		20,509,280	22,129,387
Income from investments		6,638,361	6,437,914
Placement in various investments		(26,004,410)	(26,560,088)
Cost of purchased property and equipment		(50,517)	(66,764)
Net cash provided by investing activities		1,092,714	1,940,449
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings from BSP		72,762	238,792
Payment of dividends to National Government		(1,237)	(484,528)
Payment of loans to BSP		(95,340)	(91,350)
Net cash used in financing activities		(23,815)	(337,086)
NET INCREASE IN CASH AND CASH EQUIVALENTS		482,773	3,473,845
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		4,305,796	831,953
Effect of Foreign Currency Revaluation		(107)	(2)
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	4,788,462	4,305,796

The notes on pages 62 to 73 form part of these financial statements

NOTES TO FINANCIAL STATEMENTS

(All amounts in thousand pesos unless otherwise stated)

1. GENERAL/CORPORATE INFORMATION

The Philippine Deposit Insurance Corporation (PDIC) is a government corporation established with the passage of Republic Act No. 3591, as amended, on June 22, 1963. The Corporation shall, as a basic policy, promote and safeguard the interests of the depositing public by way of providing permanent and continuing insurance coverage on all insured deposits. PDIC is mandated by law to act as receiver/liquidator of closed banks and co-regulator of banks, in which it collaborates with the BSP in promoting stability in the banking system and the economy as a whole.

The Corporation's principal office is located at 2228 Chino Roces Avenue, Makati City, with extension office at the SSS Building, 6782 Ayala Avenue, corner Rufino Street, Makati City.

As at December 31, 2010, PDIC's total manpower complement is 553 (174 officers and 379 rank and file employees), of which, one is a Presidential appointee, 543 are permanent and nine are coterminous.

The financial statements authorized for issuance by the Board of Directors on February 3, 2011 have been restated on June 29, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of financial statement preparation

The PDIC financial statements pertaining to the financial position, results of operations, changes in deposit insurance fund and cash flows as at December 31, 2010 are presented in conformity with accounting principles generally accepted in the Philippines set forth in the International Financial Reporting Standards (IFRS) and adoption of the International Accounting Standards (IAS).

The preparation of the Corporation's financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in applying the accounting policies as disclosed in Note 2.2.

Likewise, the financial statements presented herewith have been prepared under the historical cost basis, except for available-for-sale investments, loans and receivables and other assets, that have been measured at fair value.

The Corporation, as Receiver/Liquidator, is responsible for managing and disposing the assets of closed banks in an orderly and efficient manner. The transactions related to receivership and liquidation are accounted for separately from the assets and liabilities of the Corporation to ensure that liquidation proceeds are distributed in accordance with applicable laws and regulations. Also, the income and expenses attributable to receivership/liquidation are accounted for as transactions of the closed banks, and expenses advanced by the Corporation are booked as Accounts Receivable and billed by the Corporation against the respective closed banks.

2.2 Use of judgements and estimates

The preparation of the financial statements in accordance with the IFRS, requires the Corporation to make estimates and assumptions that affect the reported amounts of assets, liabilities, fund, income and expenses and disclosure of contingent resources and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. While the estimates are based on the most reliable data available, actual results, in the near term, could differ significantly from those estimates depending upon certain events and uncertainties, including:

- The timing and extent of losses the Corporation incurs as a result of future failures of member banks;
- The extent to which the Corporation will pay insurance claims of depositors of member banks that are closed or extend financial assistance to banks in danger of closing;
- The ability to recover its claims receivable and advances based on the trends and expectations of the liquidation of the closed banks;
- The extent to which the Corporation can maximize the sale and recoveries from the assets it acquires as a way of rehabilitating banks; and
- The probability of recovery through successful lawsuits as appropriate against relevant parties.

a. Impairment of Available-for-Sale (AFS) financial assets

The Corporation determines that AFS investments are impaired when there has been a significant or prolonged decline in the fair value below its cost, considering the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

b. Impairment of Held-to-Maturity (HTM) financial assets

The Corporation classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM investments. This classification requires significant judgment. In making this judgment, the Corporation evaluates its intention and ability to hold such investments to maturity. If the Corporation fails to keep these investments to maturity other than in certain specific circumstances, it will be required to reclassify the entire portfolio to AFS investments. The investments would therefore be measured at fair value and not at amortized cost.

c. Impairment losses of loans and receivables from banks

The Corporation reviews its loans and receivables to assess impairment annually. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Corporation makes judgments as to whether there is any observable development and information indicating that there is a measurable decrease in the estimated future cash flows from the loans and receivables.

d. Impairment of subrogated claims receivable/accounts receivable - receivership and liquidation

The Subrogated Claims Receivable (SCR) account represents payments made by PDIC on deposit insurance claims and is periodically reviewed to determine whether an impairment loss should be recorded based on the probability of non-recovery of such exposure upon liquidation of closed banks. This is computed taking into consideration the closed banks' respective Estimated Realizable Value of Assets and preference of credits in the liquidation process.

On the other hand, the Accounts Receivable – Receivership and Liquidation account consists of expenses incurred by the Corporation for its receivership and liquidation functions charged against closed banks and is reviewed on the same basis as the SCR, to determine whether an impairment loss should be recorded.

e. Estimated useful lives of property and equipment

The Corporation uses the prescribed estimated useful lives of Property and Equipment account and depreciable investment properties.

f. Contingencies

There are pending cases where the Corporation is impleaded as party defendant. The estimate of possible adverse judgments of these cases is based on the assessment of the strength of the defense of the Corporation or advisability of a compromise. The Corporation is of the opinion that these legal cases will not have a material adverse effect on its financial position. It is possible, however, that there may be material changes in the estimates based on developments or events in the future.

2.3 Change in accounting policies

Accounting policies adopted are consistent with those used in the previous financial year.

2.4 Summary of significant accounting policies**a. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and other check items, working funds, savings and demand deposits, and short-term, highly liquid investments that are readily convertible to cash and are subject to an insignificant risk of changes in value, having been within three months of maturity when placed or acquired.

b. Financial assets

The Corporation has classified its financial assets in the following categories: available-for-sale (AFS) investments; held-to-maturity (HTM) investments; and loans and receivables. Classifications of investments are being done at initial recognition. When financial assets are recognized initially, they are measured at fair value, plus directly attributable transaction costs in the case of investments not measured at fair value through profit or loss.

Acquisition and disposal of financial assets are recognized on the transaction date, the date on which the Corporation commits to acquire or dispose the asset. However, loans and receivables are recognized when cash is advanced for direct loans, insured deposits, expenses for receivership and liquidation, and other similar transactions.

b.1. Available-for-Sale (AFS) investments

Available-for-Sale investments are non-derivative financial assets that are designated as AFS or those securities that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition, AFS financial assets are measured at fair value with gains and losses being recognized as a separate component of capital until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in capital should be recognized in the statements of income.

b.2. Held-to-Maturity (HTM) investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. These investments are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of comprehensive income when the HTM are derecognized and impaired, as well as through the amortization process.

b.3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are carried at original amounts less allowance for impairment established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value, as appropriate, of the expected cash flows.

Subrogated Claims Receivable – The Corporation, upon payment of the insured deposits of any depositor is subrogated to all rights of the depositor against the closed bank to the extent of such payment. Such subrogation shall include the right on the part of the Corporation to receive the same payments and dividends from the proceeds of the assets of such closed bank and recoveries on account of stockholders' liability as would have been payable to the depositor on a claim for the insured deposits but such depositor shall retain his claim for any uninsured portion of his deposit.

c. Impairment of assets

Assets are impaired if carrying amount exceeds the amount to be recovered through use or sale of the asset. An assessment is made at each statement of condition date whether there is objective evidence that a specific financial or non-financial asset may be impaired. If such evidence exists, impairment loss is recognized in the statement of income.

c.1. Impairment of financial assets

- 1) For assets carried at amortized cost, impairment is measured as the difference between the asset's carrying amount and the present value of estimated cash flow, as appropriate.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of loss is charged to current operations.

- 2) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized on the financial asset. If, in subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment is reversed through the statement of comprehensive income.

- 3) For assets carried at cost, impairment is measured as the difference between the carrying amount and the estimated future cash flows.

c.2. Derecognition of financial instruments

1) Financial Asset

A financial asset is derecognized when:

- a) The rights to receive cash flows from the asset have expired;
- b) The Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- c) The Corporation has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Corporation's continuing involvement in the asset.

2) Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

d. Property and equipment

The Corporation's depreciable properties, excluding buildings, are stated at cost less accumulated depreciation and amortization. The initial cost of property and equipment consists of its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and intended use. Expenditures incurred after items of property and equipment have been put into operation, such as repairs and maintenance are charged against operations in the year in which the costs are incurred. When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected as income or loss in the statement of comprehensive income.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. This is computed at cost less residual value over useful life. The estimated useful life of the respective asset follows:

Building	30 years
Transportation Equipment	7 years
Information Technology (Integral Part) and Computer	5 years
Books	10 years
Furniture, Fixtures and Equipment	3 years
Leasehold Improvements	3 years

Leasehold improvements are amortized over the shorter of the terms of the covering leases or the estimated useful lives of the improvements.

e. Intangible assets

Intangible assets are stated in the financial statements at cost less accumulated amortization. They comprise of software licenses, among others.

The Corporation has adopted the straight-line amortization method for the intangible assets over five years.

f. Borrowing costs

Borrowing costs are recognized as expense in the year in which these costs are incurred.

g. Deposit insurance fund

The Deposit Insurance Fund (DIF) is the capital account of the Corporation and shall principally consist of the following: (a) the Permanent Insurance Fund; (b) estimated insurance losses; and (c) retained earnings. The estimated insurance losses and retained earnings shall be maintained at a reasonable level to ensure capital adequacy.

Since 2003, the Corporation adopted the Target Fund Approach in setting a target level of the DIF based on direct threat and potential demand on the Corporation's capital, as evaluated against the risks in the banking system as of a given date.

h. Permanent insurance fund

This is the total capital provided by the National Government by virtue of R.A. 3591, as amended. The full capitalization was reached in 1994 with the conversion of the obligations of PDIC to the then Central Bank of the Philippines in the amount of P977.787 million into equity of the National Government.

i. Estimated insurance losses

PDIC records an estimated loss for banks not yet closed but identified through a monitoring process as likely to fail in the future unless intervention from third party is made, such as the grant of financial assistance as part of a bank's rehabilitation. This probability of closure is the basis in determining the existence of a loss contingency. The insurance reserve is recorded in the books as Reserves for Estimated Insurance Losses.

j. Income recognition

Income is recognized to the extent that it is probable that the economic benefits will flow into the Corporation and the income can be reliably measured:

j.1. Assessments

Assessment collections from member banks are recognized as income once received by the Corporation.

Member banks are assessed a maximum rate of one-fifth of one percent per annum of the assessment base, which is the amount of liability of the bank for deposits as defined under subsection a of Section 6 of the Charter. This shall in no case be less than P5,000 and collected on a semestral basis. The amount of assessment is based on the average of deposit liabilities as at the close of business on March 31 and June 30 for the first semester and as at the close of business on September 30 and December 31 for the second semester. Such assessments are payable by banks not later than July 31 of the current year and January 31 of the ensuing year for the first and second semesters, respectively. Failure or refusal by any member bank to pay any assessment due allows the Corporation to file a collection case against the bank and impose administrative sanctions against its officers who are responsible for non-payment. Late payment of assessment is likewise subject to interest and penalty.

j.2. Investment income

Interest on interest-bearing placements and securities are recognized as the interest accrues, taking into account the interest rate or yield to maturity on such assets.

j.3. Income from financial assistance

Interest on loans is recognized mainly based on accrual accounting using the rates fixed for said loan.

k. Dollar-denominated assets

Dollar-denominated assets are initially carried at the equivalent value using BSP reference rate at transaction date and revalued at the end of each month.

I. Employee benefits

I.1. Provident fund

In accordance with Section 8 (11) of the Charter, the Corporation has a Provident Fund, which is a defined contribution plan, divided into general fund and housing fund, consisting of contributions made both by its officers and employees and the Corporation. Starting December 16, 2009, corporate contribution is vested to the employee based on their length of service in the Corporation as follows:

Years of Service	Percentage
Less than 1 year	0%
1 year but less than 2 years	20%
2 years but less than 3 years	30%
3 years but less than 4 years	40%
4 years but less than 5 years	50%
5 years or more	100%

The Fund is administered by its Board of Trustees.

I.2. Retirement

GSIS retirement benefit under R.A. 8291 is available to any qualified employee who is at least 60 years and with at least 15 years of service at the time of retirement. R.A. 8291 likewise provides for separation benefits.

I.3. Accrued leave pay

This represents the cash value of the accumulated vacation and sick leave credits of employees, 50 percent of which can be monetized in accordance with policy.

m. Leases

m.1. Operating lease

Leases in which substantially all risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

m.2. Finance lease

Leases of assets where PDIC substantially assumes all the risks and rewards of ownership are classified as finance lease. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is

allocated between the liability and the finance charges so as to achieve a constant rate on the outstanding balance of the finance lease. The corresponding rental obligations, net of finance charges, are included in the payables of the Corporation.

n. Financial assistance to banks

In accordance with Sec. 17 (d) of R.A. 3591, as amended, PDIC may grant financial assistance to a distressed member bank for its rehabilitation to prevent closure, provided such assistance is the least costly alternative. In applying the Optimal Cost Resolution principle, the alternative chosen must not cost more than the actual payout of the insured deposits and liquidation thereof. The financial assistance to a bank may be in the form of a loan, purchase of assets, assumption of liabilities, placements of deposits, equity or quasi-equity.

3. CASH AND CASH EQUIVALENTS

This account includes the following:

	2010	2009
Cash on hand ^{3.1/}	460	298
Cash in bank ^{3.2/}	88,574	477,140
Short-term investments ^{3.3/}	4,699,428	3,828,358
	4,788,462	4,305,796

3.1 The balance includes checks and other cash items received after the close of banking hours on the last business day of the month/year.

3.2 The account consists of the balances of bank accounts for operating funds, payout funds, collections, emergency drawing and BSP current account.

3.3 The account refers to investments classified as cash equivalents having maturities of three months or less from the date of acquisition/placement.

4. HELD-TO-MATURITY INVESTMENTS (HTM)

This consists of investments in peso, special savings deposits, treasury bills, notes and bonds, Home Guaranty Corporation debenture bonds and Agrarian Reform bonds as follows:

	2010	2009
Regular investments	68,046,939	67,331,083
Sinking funds ^{4.1/}	27,857,538	23,744,821
Legal liability insurance fund ^{4.2/}	118,777	93,239
	96,023,254	91,169,143

4.1 Accumulated balance of funds being built up to repay PDIC loans upon maturity, a portion of which is being managed by Bangko Sentral ng Pilipinas (BSP).

4.2 Funds being accumulated by the Corporation starting 2006, to reach P200 million to finance legal expenses for possible cases that may be filed against directors, officers and employees of the Corporation in the performance of their duties.

5. AVAILABLE-FOR-SALE INVESTMENTS (AFS)

This account includes the following:

	2010	2009
Equity securities ^{5.1/}	12,000,000	12,000,000
Treasury notes and bonds ^{5.2/}	328,134	335,010
	12,328,134	12,335,010

5.1 This represents PDIC's subscription on March 31, 2009 to the Capital Notes issued by a commercial bank in the amount of P12 billion by way of conversion of the latter's outstanding obligations to PDIC for the 2003 Financial Assistance. The Capital Notes have features consistent with BSP Circular No. 595-2008 on "Interim Tier I Capital for Banks Under Rehabilitation" and in accordance with the conditions set forth in the Memorandum of Agreement executed for the said bank's rehabilitation on July 17 and 25, 2008 and a subsequent amendment thereto on November 21, 2008.

5.2 This consists of treasury notes and bonds of P328.134 million in 2010 and P335.010 million in 2009.

6. LOANS AND RECEIVABLES

The following receivables are classified into this account as follows:

	2010	2009
Loans ^{6.1/}	24,618,581	24,619,835
Receivables - closed banks ^{6.2/}	11,525,118	8,453,026
Interest receivables ^{6.3/}	1,309,301	1,388,869
Due from National Government	-	795,598
Other receivables ^{6.4/}	320	205,452
	37,453,320	35,462,780

6.1 Loans

This represents financial assistance in the form of i) interest bearing loans to four commercial banks, three rural banks and one thrift bank, amounting to P24.173 billion and ii) purchase of assets with buy-back arrangement to one commercial bank and one development bank amounting to P0.446 billion.

6.2 Receivables - closed banks include the following:

	2010	2009
Subrogated claims ^{a/}	41,900,913	31,386,186
Subrogated claims receivable - assigned	(3,762)	(3,762)
Allowance for probable losses	(31,616,576)	(24,038,468)
	10,280,575	7,343,956
AR-receivership and liquidation ^{b/}	1,235,830	1,096,273
Allowance for probable losses	(15,881)	(11,797)
	1,219,949	1,084,476
Loans receivables-closed banks ^{c/}	164,496	165,026
Allowance for probable losses	(139,902)	(140,432)
	24,594	24,594
	11,525,118	8,453,026

a. Subrogated claims receivable

This is the amount of insured deposit claims paid by PDIC to depositors of closed banks plus balance of the verified/ validated claims accrued (Note 11) in accordance with IAS 37. These are recoverable from the remaining assets of these banks upon liquidation.

In 2010, net addition to this account amounted to P10.515 billion consisting of payments amounting to P3.963 billion, accruals totaling P6.684 billion, and recoveries of P132.104 million.

a.1 On the other hand, the Subrogated Claims Receivable - Assigned account represents the amount of subrogated claims assigned to BSP in exchange for non-negotiable promissory notes from banks that availed themselves of the Countryside Financial Institution Enhancement Program administered jointly by PDIC, Land Bank of the Philippines (LBP) and BSP. Non-interest bearing notes of various rural banks thru LBP is due at the end of seven years from the date of asset swap and collection thereon will be used to redeem the subrogated claims assigned to BSP.

b. Accounts receivable – receivership and liquidation

These are the expenses advanced by the Corporation in carrying out its mandate as receiver and liquidator of closed banks.

c. Loans receivables – closed banks

This represents financial assistance by way of interest bearing loans and liquidity assistance to banks that subsequently closed.

6.3 This represents interest receivables from investments amounting to P1.190 million in 2010 and P1.305 million in 2009 and from loans granted to assisted banks of P119,006 in 2010 and P84,249 in 2009.

6.4 This represents all other receivables including assessment deficiencies of member banks and those subsequently closed.

7. PROPERTY AND EQUIPMENT

This account includes the following:

Particulars	Land, Building and Construction -in-Progress ^{7.1/}	Furniture, Fixtures, Equipment and Books	Transportation Equipment ^{7.2/}	Leasehold Improvements	Total
Cost					
At 1 January 2010	176,308	159,473	26,817	58,397	420,995
Additions	2,749	18,597	-	-	21,346
Disposals/adjustments	-	(2,214)	(2,956)	-	(5,170)
At 31 December 2010	179,057	175,856	23,861	58,397	437,171
Accumulated Depreciation					
At 1 January 2010	85,746	115,287	8,432	28,734	238,199
Depreciation	3,472	11,949	2,935	29,663	48,019
Disposals/adjustments	-	(2,030)	(2,397)	-	(4,427)
At 31 December 2010	89,218	125,206	8,970	58,397	281,791
Net book value					
At 31 December 2010	89,839	50,650	14,891	-	155,380
At 31 December 2009	90,562	44,186	18,385	29,663	182,796

7.1 This account includes property located at Chino Roces Avenue, Makati City, with appraised values of P325 million for the land and P103.080 million for the building.

7.2 The account includes six vehicle units being leased under a finance lease agreement with LBP Leasing Corporation.

8. INTANGIBLE ASSETS

This account includes cost of computer software. Any software that is an integral part of the hardware computers is classified as Property and Equipment account.

Particulars	Cost	Accumulated Amortization	Net Book Value
At 1 January 2010	19,261	11,570	7,691
Additions	46,651	-	46,651
Amortization	-	3,531	(3,531)
Disposal / Adjustment	(7,913)	-	(7,913)
At 31 December 2010	57,999	15,101	42,898
At 31 December 2009	19,261	11,570	7,691

9. OTHER ASSETS

This account includes the following:

	2010	2009
Assets acquired ^{9.1/}	20,755,977	20,811,216
Allowance for probable losses	(15,063,617)	(14,373,951)
	5,692,360	6,437,265
Acquired assets as payment of receivables from closed banks ^{9.2/}	87,128	84,867
Allowance for probable losses	(11,047)	-
	76,081	84,867
Provident fund - car fund	49,802	39,262
Prepayments ^{9.3/}	99,821	8,337
Guarantee deposits ^{9.4/}	14,576	14,072
Advances to officers and employees ^{9.5/}	1,462	2,096
Inventories		
Office supplies and materials	1,958	1,767
Decals and standees	454	832
Petty cash fund ^{9.6/}	830	1,185
Others-Resigned Employees	289	-
	5,937,633	6,589,683

- 9.1 Includes assets acquired from financially assisted banks.
- 9.2 Includes assets received from closed banks in payment for subrogated deposits and advances for receivership and liquidation expenses.
- 9.3 Includes various prepaid expenses i.e. taxes on investments, IT maintenance service, insurance and others.
- 9.4 Includes miscellaneous assets such as subscriber's investments and deposits with utility companies (SSS, MERALCO, PLDT, etc.)
- 9.5 These are cash advances of officers and staff mostly for travel assignments.
- 9.6 The account includes cash for petty operating expenses and emergency drawings for specific purposes.

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account includes the following:

	2010	2009
Interest payable ^{10.1/}	10,897,126	9,640,125
Due to officers and employees ^{10.2/}	140,333	126,627
Accounts payables ^{10.3/}	35,229	68,214
Inter-agency payables ^{10.4/}	871,460	51,287
Other payables ^{10.5/}	38,570	27,819
	11,982,718	9,914,072

- 10.1 The balance of this account represents interest on loans from the Bangko Sentral ng Pilipinas, which will be paid in accordance to the terms of the loan agreement (e.g. bullet, annual, etc.).
- 10.2 This is composed of accrued leaves of employees payable upon monetization, retirement or resignation amounting to P131.259 million, and unpaid salaries and benefits amounting to P9.074 million such as loyalty pay, overtime, performance incentive, rice benefit and tax refunds to be paid in the succeeding year.
- 10.3 This refers to the amount due to various suppliers/creditors and unclaimed checks.

10.4 Inter-agency payables consist of payables to the following:

	2010	2009
PDIC Provident Fund	11,492	21,344
Bureau of Internal Revenue	269,542	19,413
Government Service Insurance System	7,623	7,694
Bureau of Treasury	581,263	1,237
PhilHealth	1,047	1,045
Pag-IBIG	279	304
Bangko Sentral ng Pilipinas	214	250
	871,460	51,287

10.5 Other payables include bidders' performance bond payable, payables to resigned employees, lease liability for rental of six vehicle units, and overpayment by banks, which are creditable to subsequent assessment period.

11. INSURED DEPOSIT CLAIMS PAYABLE

This account represents balance of unpaid but validated insured deposits claims representing 22,525 claims and 147,088 accounts, totaling P7.552 billion.

12. LOANS PAYABLE

This account represents outstanding loans payable to the Bangko Sentral ng Pilipinas which were utilized, as follows:

	2010	2009
Financial assistance granted to various banks		
Commercial Banks	65,725,967	65,821,307
Thrift Banks	3,950,865	3,950,865
Rural Banks	2,929,371	2,857,236
	72,606,203	72,629,408

13. ASSESSMENT INCOME

This consists of assessment premium received as follows:

	2010	2009
First Semester	4,530,074	4,067,499
Second Semester	4,677,769	4,270,522
	9,207,843	8,338,021

14. INCOME FROM INVESTMENTS

This consists of interest income from investments (net of tax) as follows:

	2010	2009
Treasury notes/bonds	4,086,159	4,626,269
Sinking funds	1,584,072	1,624,755
Special savings deposit	132,082	191,034
Treasury bills	19,179	25,600
HGC debenture bonds	6,316	15,678
Savings deposit - peso	10,515	1,639
Savings deposit - dollar	-	1
	5,838,323	6,484,976

15. INCOME FROM FINANCIAL ASSISTANCE

The balance of this account refers to interest income totaling P423.698 million in 2010 and P497.834 million in 2009, derived from financial assistance to banks by way of interest bearing direct loans and liquidity assistance.

16. INCOME FROM TAX SUBSIDY

Starting 2010, a total of P1.242 billion tax obligations of PDIC charged to the Tax Expenditure Fund (TEF) in accordance with Section 17 (c) of the PDIC Charter, as amended by Republic Act 9576, is booked to this account.

17. OTHER INCOME

Balance of this account consists of the following:

	2010	2009
Dividend income	11,572	31,984
Service income	27,779	24,469
Miscellaneous income	7,681	15,780
Gain on exchange/sale of investments	-	8,734
Gain/(loss) on sale of disposed assets	525	1,590
Interest on late payment of assessment	105	15
Gain/(loss) on foreign currency revaluation	(8)	(1)
	47,654	82,571

18. OPERATING EXPENSES

This account consists of the following:

	2010	2009
Personal services	760,856	747,915
Maintenance and other operating expenses	380,105	790,403
	1,140,961	1,538,318

Operating expenses exclude those incurred in the conduct of receivership and liquidation function and allocated to closed banks amounting to P146.120 million in 2010 and P139.580 million in 2009.

The Gender and Development (GAD) expenses amounted to P86,471 out of the P194,150 budget for 2010. These were incurred for GAD Orientation/Capacity Building, participation in Women Empowerment seminars under the 2010 Department of Finance Focal Points System Common Directions and Women's Month celebration.

19. TAXES

In compliance with the requirements set forth by the Bureau of Internal Revenue (BIR) in Revenue Regulation No. 15-2010, the following taxes, duties and license fees were paid or accrued in 2010 (refer to Note 16):

	2010
Value added tax (VAT) ^{19.1/}	2,172,147
Capital gains tax	1,543
Documentary stamp tax	747
Percentage tax	10
Withholding taxes	
On compensation and benefits	140,309
Creditable withholding taxes	30,229
Final withholding taxes	281
Other taxes and licenses	
Community tax certificate	10
BIR annual registration fee	1
	2,345,277

19.1 This includes basic VAT deficiency assessment for 2009 of P1.011 billion and output VAT for 2010 of P1.161 billion.

The Corporation has received a preliminary assessment notice (PAN) from the BIR dated December 29, 2010, covering taxable year 2009 amounting to P815.039 million. The assessment pertains to interests and surcharges on late receipt by the BIR of payment documents (Special Allotment Release Order from the Department of Budget and Management) concerning basic income tax and VAT charged to the tax expenditure fund. PDIC in a letter dated January 14, 2011 protested the said PAN, which to date has not been resolved.

20. RESERVES FOR ESTIMATED INSURANCE LOSSES

In accordance with Note 2.4.g and the Revised Guidelines for Insurance Reserves Targeting and the Revised Methodology in Establishing the Insurance Reserves Target approved under Board Resolution No. 2008-06-089 dated June 27, 2008, an additional P2.500 billion reserves for insurance losses was charged to income in 2010 to ensure adequacy for insurance calls.

21. INSURANCE AND FINANCIAL ASSISTANCE LOSSES

Insurance and financial assistance losses consist of the following:

	2010	2009
Deposit claims pay-out expenses ^{21.1/}	7,578,070	11,366,643
Rehabilitation cost ^{21.2/}	700,182	2,336
Receivership and liquidation expenses ^{21.3/}	4,084	2,042
	8,282,336	11,371,021

21.1 Deposit claims pay-out expenses – estimated losses on deposit insurance claims paid, based on the respective estimated realizable value of assets and preference of credits in the liquidation of closed banks (See also Notes 2.4.c and 6.2.a).

21.2 Rehabilitation cost – estimated losses on assets acquired from assisted banks.

21.3 Receivership and liquidation expenses – estimated losses on receivables from closed banks for necessary expenses advanced by the Corporation as receiver and liquidator (See also Note 6.2.b).

22. INTEREST ON BORROWINGS

This account consists of Interest Expense account totaling P2.238 billion in 2010 and P2.080 billion in 2009 primarily on outstanding loans to BSP used to fund the financial assistance and payout operations of various banks.

23. LEASES

The Corporation leased the premises of the Social Security System at Ayala Avenue, Makati City, which serve as PDIC extension office for P61.312 million in 2010. The lease is renewable annually under certain terms and conditions.

24. CONTINGENT LIABILITIES AND OTHER MATTERS

24.1 The following are the pending cases which may result in contingent liabilities as a consequence of adverse judgments that may be rendered:

a. Claims for deposit insurance

Seven cases were filed against the Corporation for payment of deposit insurance in the estimated amount of P38.691 million. In addition, pursuant to Section 10 (c) of the PDIC Charter, the Corporation initiated actions against a group of depositors for judicial determination of deposits concerning claims estimated at P3 million and for interpleader involving the amount of P250,000.

b. Claims of the separated employees

The remaining estimated claim to which several former employees of PDIC who were separated as a result of the reorganization pursuant to Section 23 of the PDIC Charter, as amended, are entitled to is P783,168. The release of the amount is conditioned on the finality of CSC Resolution No. 06-0836 dated May 12, 2006 upholding the validity of PDIC reorganization, which is now subject of an appeal with the Court of Appeals filed by the separated employees.

c. Cases subject matter of which are incapable of pecuniary estimation

There are seven cases where the Corporation was impleaded as a respondent or defendant, subject matter of which are incapable of pecuniary estimation. Of the seven, six involve acts of the Corporation in its capacity as Receiver of closed banks while the remaining case assails the validity of the Corporation's exercise of its investigative authority independently of the Monetary Board.

The above excludes the items in litigation, which were acquired from the banks that were extended financial assistance.

24.2 Estimated insured deposits

As at December 31, 2010, total insured deposits within the P500,000 insurance coverage amounted to P1.440 trillion representing 39.771 million accounts. This is equivalent to 28 percent of the total deposits of P5.119 trillion in the banking industry.

24.3 Contested assessment billings

In compliance with Regulatory Issuance No. 92-1 regarding rules and regulations governing the posting of security deposit by banks with contested billings, two banks have posted escrow deposits with government banks in the amount of P947.600 million for contested billings of P948.041 million including interests.

24.4 Banks under receivership and liquidation

There are a total of 548 closed banks as at December 31, 2010 under PDIC receivership and liquidation including the 25 banks that were closed in 2010. The total estimated realizable value of assets and liabilities of the banks amounted to P15.461 billion and P83.328 billion, respectively.

25. RELATED PARTY TRANSACTION

The Corporation does not have dealings with related parties involving transfer of resources and obligations.

26. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

The Corporation is exposed to a variety of financial risks such as market risk (including interest rate risk and currency risk), credit risk and liquidity risk.

The financial risks are identified, measured and monitored to assess adequately the market circumstances to avoid adverse financial consequences to the Corporation.

26.1 Market risk

The Corporation measures and manages its rate sensitivity position to ensure build-up of its investment portfolio. Special emphasis is placed on the change in net interest income that will result from possible fluctuations in interest rates, changes in portfolio mix and tenor.

26.2 Credit risk

In view of its mandate to safeguard the interest of the depositing public and contribute in the promotion of stability in the economy, credit risk to the Corporation is the risk that the loans granted to operating banks needing financial assistance and advances in its receivership and liquidation activities will not be paid or collected when due, and when investing activities are not prudently exercised to consider risk/reward relationships of market factors and established parameters.

Therefore, PDIC exercises prudence in the grant of financial assistance and over its exposures to credit risk. This is managed through periodic examination of assisted banks and monitoring

of the covenants in the loan agreements. The Corporation likewise mitigates such risk through the collateral requirements as secondary source of payment. Moreover, the Corporation is allowed to invest only in obligations of the Republic of the Philippines (ROP) or in obligations guaranteed as to principal and interest by the ROP.

a. Maximum exposures to credit risk without taking account of any collateral and other credit enhancements

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, without consideration of other factors or collateral agreements.

	Note	Gross Maximum Exposure 2010	Gross Maximum Exposure 2009
Loans and receivables	6	36,263,025	33,362,562
Available for sale investments - equity securities	5	12,000,000	12,000,000
Other assets	9	1,462	2,096
Total credit risk exposure		48,264,487	45,364,658

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

26.3 Liquidity risk

The liquidity risk is the adverse situation when the Corporation encounters difficulty in meeting unconditionally the settlement of insurance calls and its obligations at maturity. The liquidity management policy of the Corporation is conservative in maintaining optimal liquid cash funds to secure a good capability to finance its mandated activities and other operational requirements. Due to the mandates of the Corporation, it is authorized to borrow from the BSP and from designated depository or fiscal agent of the Philippine Government for insurance and financial assistance purposes.

a. Analysis of financial liabilities by maturity

The table below summarizes the maturity profile of the Corporation's financial liabilities as at December 31, 2010.

	On demand	Up to 3 months	> 3 up to 12 months	> 1 up to 5 Years
As at December 31, 2010				
Accounts payable and other liabilities	-	1,085,592	-	-
Insured deposit claims payable	7,551,471	-	-	-
Interest payable	-	-	387,389	-
Loans payable	-	-	4,419,000	50,753
	7,551,471	1,085,592	4,806,389	50,753
	On demand	Up to 3 months	> 3 up to 12 months	> 1 up to 5 Years
As at December 31, 2009				
Accounts payable and other liabilities	-	273,947	-	-
Insured deposit claims payable	7,250,303	-	-	-
Interest payable	-	-	390,672	-
Loans payable	-	-	-	4,565,093
	7,250,303	273,947	390,672	4,565,093
	> 5 up to 10 years	>10 up to 20 years	Over 20 Years	Total
As at December 31, 2010				
Accounts payable and other liabilities	-	-	-	1,085,592
Insured deposit claims payable	-	-	-	7,551,471
Interest payable	1,952,724	8,479,429	77,584	10,897,126
Loans payable	54,804,609	13,119,642	212,200	72,606,204
	56,757,333	21,599,071	289,784	92,140,393
As at December 31, 2009				
Accounts payable and other liabilities	-	-	-	273,947
Insured deposit claims payable	-	-	-	7,250,303
Interest payable	1,706,564	7,475,915	66,974	9,640,125
Loans payable	23,944,660	43,907,455	212,200	72,629,408
	25,651,224	51,383,370	279,174	89,793,783

Board OF DIRECTORS

(As of June 16, 2011)

Hon. Cesar V. Purisima
CHAIRMAN

Secretary, Department of Finance
Chairman, Land Bank of the Philippines
Chairman, National Power Corporation
Member, Monetary Board of the
Bangko Sentral ng Pilipinas (BSP)
Former Secretary, Department of Trade
and Industry
Former Member, Global Executive Board,
Ernst & Young
Former Member, Global Board,
Andersen Consulting
Former Area Managing Partner,
Asia Pacific Assurance
Practice, Andersen Worldwide
Former Chairman and Managing Partner,
SGV & Co.



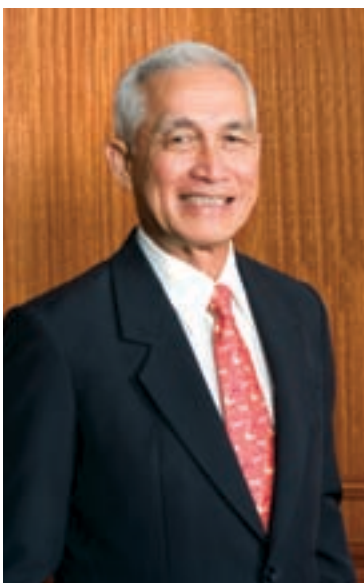
Hon. Valentin A. Araneta¹
VICE CHAIRMAN

President, Philippine Deposit Insurance
Corporation
Member, International Association of
Deposit Insurers (IADI) Executive Council
Research and Guidance Committee,
Audit Committee, and Asia Pacific
Regional Committee
Former President and Chief Operating Officer,
Rizal Commercial Banking Corporation
Former Independent Director, Metropolitan
Bank & Trust Co.
Former Senior Executive Vice President,
Philippine National Bank
Former Vice Chairman, Great Pacific
Savings Bank
Director and Corporate Secretary,
Financial Executives Institute of the
Philippines (FINEX)
Former Member and Treasurer, Board of
Trustees, University of Saint La Salle,
Bacolod City



Margarito B. Teves
CHAIRMAN
(July 18, 2005 - June 30, 2010)

Former Secretary,
Department of Finance
Former President,
Land Bank of the Philippines
Former Representative,
Negros Occidental (3rd District)



Jose C. Nograles
VICE CHAIRMAN
(January 7, 2008 - May 31, 2011)

Former President,
Philippine Deposit Insurance Corporation
Former Member, Executive Council,
International Association of Deposit
Insurers (IADI)
Former Chairman, Audit Committee, IADI
Former Senior Executive Vice President,
Land Bank of the Philippines





Hon. Amando M. Tetangco, Jr.
Director

Governor, Bangko Sentral ng Pilipinas
Chairman, Monetary Board
Chairman, Anti-Money Laundering Council
Chairman, Phil. Int'l. Convention Center
Director, PhilExim, National Development
Corporation and National Home
Mortgage Finance Corporation
Former Deputy Governor, BSP



Rogelio W. Manalo
Director

Former Governor, Development Bank
of the Philippines
Former Alternate Member of the Monetary
Board, Central Bank of the Philippines
Former Director, Philippine National
Oil Company Petro-Chemical Dev't. Corp.
Former OIC, Mimosa Golf and Country Club
Former President, Clark Development Corp.
Services, Inc.
Former Director, Clark Development Corp.
Former Director, Manpower Development
and Youth Council



Protacio T. Tacandong²
Director

Chief Operating Officer, Reyes Tacandong & Co.
Former Partner, Chief Finance & Administrative
Officer, and Head of SGV Branches,
SGV & Co.
Former President, Financial Executives
Institute of the Philippines (FINEX) Davao
Former President, Philippine Institute of
Certified Public Accountants (PICPA)
Former Partner-in-charge, SGV Mindanao
Branches and Supervising Partner
for Visayas Branches
Former Partner-in-charge, SGV Cebu
Former President, Davao City Chamber of
Commerce and Industry, Inc.



Jeremias N. Paul, Jr.
Alternate Director

Undersecretary, Department of Finance
Former Chairman, Board of Advisors,
World Bank/ International Monetary
Fund Filipino Staff Association
Former Assistant Secretary,
International Finance Group, DOF



Nestor A. Espenilla, Jr.
Alternate Director

Deputy Governor, Supervision and
Examination Sector, BSP
Former Assistant Governor, BSP
Former Managing Director, BSP
Former Director, Supervisory Reports
and Studies Office, BSP



J. Antonio M. Quila
Director
(September 17, 2007 - April 19, 2010)

President, Private Enterprise
Development Corp. of Asia
Former Director, Philippine Bank of
Communications
Former Special Advisor to the Asian
Development Bank President



Jovencito R. Zuño
Director
(April 20 - July 30, 2010)

Former Chief State Prosecutor,
Department of Justice
Former Acting City Fiscal,
Office of the City Prosecutor, Lipa City
Former Special Counsel, Office of the
City Prosecutor, Batangas City

²Assumed on February 2, 2011

Board COMMITTEES

(As of June 16, 2011)

The **Board Audit Committee (BoardAC)** provides oversight supervision over the Corporation's internal audit function. It ensures that the internal control system and the internal audit activities of the Corporation are adequate and that they operate effectively and efficiently. The authority of the BoardAC emanates from the Audit Charter that provides a framework for an independent, objective assurance and consulting activity that will enhance control and internal audit support of sound corporate governance.



Director Protacio T. Tacandong
Chairman



Director Rogelio W. Manalo
Member



Deputy Governor Nestor A. Espenilla, Jr.
Member

The **Board Risk Management Committee (BRMC)** oversees the identification of strategic risks and assesses the viability and capability of the Corporation to carry out its mandate. It recommends to the Board of Directors appropriate policies or changes in existing policies concerning risk assessment and risk management. The BRMC likewise monitors the adequacy, completeness, implementation, and effectiveness of the Corporation's risk management system, and recommends improvements when necessary.



Director Rogelio W. Manalo
Chairman



Undersecretary Jeremias N. Paul, Jr.
Member



Director Protacio T. Tacandong
Member



Executive COMMITTEE



Valentin A. Araneta
President



Imelda S. Singzon
Executive Vice President
Examination and Resolution Sector



Cristina Q. Orbeta
Executive Vice President
Receivership and Liquidation
Sector



Sandra A. Diaz
Senior Vice President
Deposit Insurance Sector



Ma. Ana Carmela L. Villegas
Senior Vice President
Management Services Sector



Romeo M. Mendoza, Jr.
General Counsel
Legal Affairs Sector



Alma Teresa R. Malanog
Senior Vice President
Corporate Services Sector

Management

COMMITTEE

OFFICE OF THE PRESIDENT



Valentin A. Araneta
President



Maria Leonida Fres-Felix
Vice President
Corporate Affairs Group



Rhodora Gay R. Poliquit
Vice President
Risk Management Office



Fely D. Reyes
Vice President
Internal Audit Group

EXAMINATION AND RESOLUTION SECTOR



Imelda S. Singzon
Executive Vice President



Josefina J. Velilla
Vice President
Resolution Group



Eden Tita J. Dizon
Vice President
Examination Group I



RECEIVERSHIP AND LIQUIDATION SECTOR



Cristina Q. Orbeta
Executive Vice President



Teresita D. Gonzales
Vice President
Receivership and Liquidation
Group I



Nancy L. Sevilla-Samson
Vice President
Receivership and Liquidation
Group II



Rosario C. Arnaldo
Vice President
Asset Management Group



Lilian I. Serna
Vice President
Receivership and Liquidation
Support Group

Management COMMITTEE

DEPOSIT INSURANCE SECTOR



Sandra A. Diaz
Senior Vice President



Elizabeth E. Oller
Vice President
Claims Group



Irene D. Arroyo
Vice President
Treasury Group



Cynthia B. Marcelo
Vice President
Insurance Group

MANAGEMENT SERVICES SECTOR



Ma. Ana Carmela L. Villegas
Senior Vice President



Ma. Ester D. Hanopol
Vice President
Corporate Planning Group



Geronimo V. Ambe
Vice President
Comptrollership Group



Maria Belinda C. San Jose
Vice President
Information Technology Group



LEGAL AFFAIRS SECTOR



Romeo M. Mendoza, Jr.
General Counsel



Ma. Antonette I. Brillantes-Bolivar
Vice President
Litigation and Investigation Group



Cristine C. Remollo
Vice President
Legal Services Group

CORPORATE SERVICES SECTOR



Alma Teresa R. Malanog
Senior Vice President



Ma. Teresita V. Leido
Vice President
Human Resource Group



Nina Noreen A. Jacinto
Vice President
Administrative Services Group

LIST OF OFFICERS

as of June 16, 2011

OFFICE OF THE PRESIDENT

VALENTIN A. ARANETA
PRESIDENT

MA. CARMEN ROSARIO Z. RECITAS
ASSISTANT DEPARTMENT MANAGER II

OFFICE OF THE BOARD CHAIRMAN

MA. ANGELA E. IGNACIO
VICE PRESIDENT

OFFICE OF THE CORPORATE SECRETARY

MARY ROSALIND A. ALARCA
DEPARTMENT MANAGER III

GEODERICK E. CARBONELL
ASSISTANT DEPARTMENT MANAGER II

OFFICE OF THE MEMBERS OF THE BOARD FROM THE PRIVATE SECTOR

JUDE THADDEUS T. LANUZA
EXECUTIVE ASSISTANT IV

PILAR Y. LEDESMA
EXECUTIVE ASSISTANT IV

RISK MANAGEMENT OFFICE

RHODORA GAY R. POLIQUIT
VICE PRESIDENT

INTERNAL AUDIT GROUP

FELY D. REYES
VICE PRESIDENT

INTERNAL AUDIT DEPARTMENT I

VIVENCIO M. MANIAGO
DEPARTMENT MANAGER III

INTERNAL AUDIT DEPARTMENT II

MARILOU G. MIRANDA
CORPORATE EXECUTIVE OFFICER II

IT AUDIT DEPARTMENT

NANCY M. MENDOZA
DEPARTMENT MANAGER III

LUDIVINA P. CARLOS
CORPORATE EXECUTIVE OFFICER II

CORPORATE AFFAIRS GROUP

MARIA LEONIDA FRES-FELIX
VICE PRESIDENT

NAPOLEON P. MICU
CORPORATE EXECUTIVE OFFICER II

CORPORATE COMMUNICATIONS DEPARTMENT

AURAMAR D. CALBARIO
DEPARTMENT MANAGER III

JOSEPHINE G. MOPERA
ASSISTANT DEPARTMENT MANAGER II

PUBLIC ASSISTANCE DEPARTMENT

ANTONIO ERROL B. YBAÑEZ, JR.
CORPORATE EXECUTIVE OFFICER I

INSTITUTIONAL RELATIONS DEPARTMENT

ISABEL P. GAVIOLA
CORPORATE EXECUTIVE OFFICER II

EXAMINATION AND RESOLUTION SECTOR

IMELDA S. SINGZON
EXECUTIVE VICE PRESIDENT

EXAMINATION GROUP I

EDEN TITA J. DIZON
VICE PRESIDENT

EXAMINATION DEPARTMENT I

ELIZABETH R. PADOLINA
ASSISTANT DEPARTMENT MANAGER II

RUBEN C. CORDERO
CORPORATE EXECUTIVE OFFICER II

FERDINAND P. ROBES
CORPORATE EXECUTIVE OFFICER II

EXAMINATION DEPARTMENT II

MARLOWE F. MIKIN
DEPARTMENT MANAGER III

JOSEFINA F. SONGALIA
ASSISTANT DEPARTMENT MANAGER II

EXAMINATION DEPARTMENT GROUP II

EXAMINATION DEPARTMENT III

SHIRLEY G. FELIX
ASSISTANT VICE PRESIDENT

DENNIS Y. ABIERA
ASSISTANT DEPARTMENT MANAGER II

BEATRIZ R. ANGELES
CORPORATE EXECUTIVE OFFICER II

EXAMINATION DEPARTMENT IV

ANGEL B. OBRERO
DEPARTMENT MANAGER III

MARNIE C. LASCANO
CORPORATE EXECUTIVE OFFICER II

RESOLUTION GROUP

JOSEFINA J. VELILLA
VICE PRESIDENT

RESOLUTION DEPARTMENT I

FLORDELIS M. DATU
DEPARTMENT MANAGER III

FREDY S. GALOSMO
CORPORATE EXECUTIVE OFFICER II

MAILEEN M. MALOLES
CORPORATE EXECUTIVE OFFICER II

RESOLUTION DEPARTMENT II

POLO L. PANTALEON, JR.
DEPARTMENT MANAGER III

JOSEFINA R. FAJARDO
ASSISTANT DEPARTMENT MANAGER II

MADELEINE C. RIBAY
CORPORATE EXECUTIVE OFFICER II

EXAMINATION AND RESOLUTION SUPPORT GROUP

EXAMINATION AND RESOLUTION SUPPORT DEPARTMENT

EMMA B. OCHOSA
ASSISTANT DEPARTMENT MANAGER II

ROSALYN M. GO
CORPORATE EXECUTIVE OFFICER II

BANK STATISTICS DEPARTMENT

CHRISTOPHER G. SUGUITAN
ASSISTANT DEPARTMENT MANAGER II

RECEIVERSHIP & LIQUIDATION SECTOR

CRISTINA Q. ORBETA
EXECUTIVE VICE PRESIDENT

RECEIVERSHIP AND LIQUIDATION GROUP I

TERESITA D. GONZALES
VICE PRESIDENT

RECEIVERSHIP & LIQUIDATION DEPARTMENT I-A

JOSETTE SONIA H. MARCILLA
DEPARTMENT MANAGER III

APOLONIO M. MATABANG
CORPORATE EXECUTIVE OFFICER II

ANA ROSA E. VIRAY
CORPORATE EXECUTIVE OFFICER II

RECEIVERSHIP & LIQUIDATION DEPARTMENT I-B

MA. BERNADETTE R. SANCHEZ
DEPARTMENT MANAGER III

RECEIVERSHIP & LIQUIDATION DEPARTMENT I-C

FERDINAND M. BELUAN
DEPARTMENT MANAGER III

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CORPORATE EXECUTIVE OFFICER II

CELIA D. JOVEN
CORPORATE EXECUTIVE OFFICER II

JOSEFINA S. SAN PEDRO
CORPORATE EXECUTIVE OFFICER II

RECEIVERSHIP & LIQUIDATION DEPARTMENT I-D

RONALD C. ANGELES
ASSISTANT DEPARTMENT MANAGER II

ELMER JUAN C. HABER
CORPORATE EXECUTIVE OFFICER II

RECEIVERSHIP AND LIQUIDATION GROUP II

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VICE PRESIDENT

RECEIVERSHIP & LIQUIDATION DEPARTMENT II-A

IMELDA R. SALGADO
DEPARTMENT MANAGER III

MA. NENITA N. GAYLA
CORPORATE EXECUTIVE OFFICER II

LEONOR S. SAMONTE
CORPORATE EXECUTIVE OFFICER II

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BENEFICO M. MAGDAY
ASSISTANT VICE PRESIDENT

FLORANTE D. LUCOS
CORPORATE EXECUTIVE OFFICER II

ROSALINA G. MORALES
CORPORATE EXECUTIVE OFFICER II

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ASSISTANT VICE PRESIDENT

FERNANDO S. BOÑULA
CORPORATE EXECUTIVE OFFICER II

MARY ANN C. CRISOSTOMO
CORPORATE EXECUTIVE OFFICER II

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CORPORATE EXECUTIVE OFFICER II

SUSANA R. CAROLINO
CORPORATE EXECUTIVE OFFICER II

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VICE PRESIDENT

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BELTRAN-CARANDANG
CORPORATE EXECUTIVE OFFICER II

LOLITA M. LIM
CORPORATE EXECUTIVE OFFICER II

MARIVIC C. PUZON
CORPORATE EXECUTIVE OFFICER II

ELISA T. SAURA
CORPORATE EXECUTIVE OFFICER II

LOANS MANAGEMENT DEPARTMENT

ESPERANZA L. CHINGCUANGCO
ASSISTANT DEPARTMENT MANAGER II

RECEIVERSHIP AND LIQUIDATION
SUPPORT GROUP

LILIAN I. SERNA
VICE PRESIDENT

DATA SUPPORT DEPARTMENT

ROSSANA V. CASTALLA
DEPARTMENT MANAGER III

DOROTHY C. EAMILAO
ASSISTANT DEPARTMENT MANAGER II

THELMA B. ARIAS
CORPORATE EXECUTIVE OFFICER II

JOSEFINA B. PEREZ
CORPORATE EXECUTIVE OFFICER II

ASSET DISPOSAL & ADMINISTRATIVE
DEPARTMENT

TERESA H. GARCIA
ASSISTANT VICE PRESIDENT

EDITHA D. TUMANG
CORPORATE EXECUTIVE OFFICER II

ARIEL M. ALCOPA
CORPORATE EXECUTIVE OFFICER I

PROPERTY APPRAISAL DEPARTMENT

RECAREDO LEIGHTON A. TAMAYO
DEPARTMENT MANAGER III

MINVILUZ O. RUBRICO
CORPORATE EXECUTIVE OFFICER II

DEPOSIT INSURANCE SECTOR

SANDRA A. DIAZ
SENIOR VICE PRESIDENT

CLAIMS GROUP

ELIZABETH E. OLLER
VICE PRESIDENT

PRESETTLEMENT EXAMINATION DEPARTMENT

LUISITO M. CARREON
ASSISTANT VICE PRESIDENT

EVANGELINE R. PANTALUNAN
ASSISTANT DEPARTMENT MANAGER II

NERILYN O. ABOGADO
CORPORATE EXECUTIVE OFFICER II

MONINA J. CORNISTA
CORPORATE EXECUTIVE OFFICER II

NAPOLEON D. JOSE
CORPORATE EXECUTIVE OFFICER II

WILFREDO B. RAFALES
CORPORATE EXECUTIVE OFFICER II

CLAIMS PROCESSING DEPARTMENT

ELAINE B. DETICIO
ASSISTANT VICE PRESIDENT

JOAN S. DE LEON
CORPORATE EXECUTIVE OFFICER II

MILA O. TAMAYO
CORPORATE EXECUTIVE OFFICER II

TREASURY GROUP

IRENE D. ARROYO
VICE PRESIDENT

TREASURY DEPARTMENT

PETER NOEL P. HERRERA
ASSISTANT VICE PRESIDENT

ROSITA R. ARELLANO
ASSISTANT DEPARTMENT MANAGER II

ESTELITA R. DATINGALING
CORPORATE EXECUTIVE OFFICER II

CLAIMS SETTLEMENT DEPARTMENT

MERLIE M. CAÑAVERAL
DEPARTMENT MANAGER III

ROSENDA L. BARRIL
CORPORATE EXECUTIVE OFFICER II

ELOIDA B. INDORTE
CORPORATE EXECUTIVE OFFICER II

INSURANCE GROUP

CYNTHIA B. MARCELO
VICE PRESIDENT

TESSIE P. VELASQUEZ
CORPORATE EXECUTIVE OFFICER II

INSURANCE DEPARTMENT

DAISY ANN T. ALAGOS
CORPORATE EXECUTIVE OFFICER II

MA. LENITA I. FLORIZA
CORPORATE EXECUTIVE OFFICER II

INSURANCE SUPPORT DEPARTMENT

MA. THERESA B. SALCOR
DEPARTMENT MANAGER III

EMERSON M. LOMIO
CORPORATE EXECUTIVE OFFICER II

SALUD E. MARGAJAY
CORPORATE EXECUTIVE OFFICER II

LEGAL AFFAIRS SECTOR

ROMEO M. MENDOZA, JR.
GENERAL COUNSEL

MA. SADDY MILA ENA B. RILLORTA
ASSISTANT DEPARTMENT MANAGER II

LITIGATION AND INVESTIGATION GROUP

MA. ANTONETTE I. BRILLANTES-BOLIVAR
VICE PRESIDENT

LITIGATION DEPARTMENT

GILROY V. BILLONES
DEPARTMENT MANAGER III

ROMEL M. BARRERA
ASSISTANT DEPARTMENT MANAGER II

RENATO N. GARAY
ASSISTANT DEPARTMENT MANAGER II

MILDRED J. MARQUEZ
ASSISTANT DEPARTMENT MANAGER II

RAYMOND C. DE LEMOS
LEGAL OFFICER V

INVESTIGATION DEPARTMENT

MANUEL C. TAN
ASSISTANT VICE PRESIDENT

ARISTON P. AGANON
LEGAL OFFICER V

ALEXANDER N. DOJILLO
LEGAL OFFICER V

NELSON G. PORTACIO
LEGAL OFFICER V

EXTERNAL COUNSEL DEPARTMENT

HILARIO N. MARBELLA
DEPARTMENT MANAGER III

MYLENE F. PASAMBA
ASSISTANT DEPARTMENT MANAGER II

JOHN HENRY M. PASCUAL
ASSISTANT DEPARTMENT MANAGER II

EVANGELINE Q. DE LEON
LEGAL OFFICER V

ARLENE R. HERNANDO
LEGAL OFFICER V

LEGAL SERVICES GROUP

CRISTINE C. REMOLLO
VICE PRESIDENT

LEGAL SERVICES DEPARTMENT I

FERNANDO S. ABADILLA
ASSISTANT VICE PRESIDENT

AILEEN LOU C. ACOSTA
ASSISTANT DEPARTMENT MANAGER II

LUISITO Z. MENDOZA
ASSISTANT DEPARTMENT MANAGER II

JOSE MARI C. GANA
LEGAL OFFICER V

MA. FRECELYN M. HAW
LEGAL OFFICER V

LEGAL SERVICES DEPARTMENT II

DORAM T. DUMALAGAN
DEPARTMENT MANAGER III

MA. POLA S. LUANZON
ASSISTANT DEPARTMENT MANAGER II

JOSELITO S. MENDOZA
ASSISTANT DEPARTMENT MANAGER II

CLARENCE E. DATO
LEGAL OFFICER V

JOSETTE O. RESURRECCION
LEGAL OFFICER V

LEGAL SERVICES DEPARTMENT III

NILO ALDRIN M. LUCINARIO
ASSISTANT VICE PRESIDENT

DELILAH GRACE V. MAGTOLIS
ASSISTANT DEPARTMENT MANAGER II

JOSEFINA J. SAMBOLAWAN
LEGAL OFFICER V

MANAGEMENT SERVICES SECTOR

MA. ANA CARMELA L. VILLEGAS
SENIOR VICE PRESIDENT

ANTONIO L. PANALIGAN
ASSISTANT DEPARTMENT MANAGER II

COPROPRATE PLANNING GROUP

MA. ESTER D. HANOPOL
VICE PRESIDENT

PLANNING DEPARTMENT

JOSE G. VILLARET, JR.
DEPARTMENT MANAGER III

JOSEFINA MAY G. TATU
CORPORATE EXECUTIVE OFFICER II

POLICY & SYSTEMS DEPARTMENT

CYRUS T. GALANG
DEPARTMENT MANAGER III

COMPTROLLERSHIP GROUP

GERONIMO V. AMBE
VICE PRESIDENT

ACCOUNTING DEPARTMENT

QURALENE P. PATALINGHUG
DEPARTMENT MANAGER III

MARIA CRISTINA S. SOLIS
CORPORATE EXECUTIVE OFFICER II

BUDGET AND DISBURSEMENTS DEPARTMENT

JOCELYN J. NEPOMUCENO
DEPARTMENT MANAGER III

JANET B. AGUILA
CORPORATE EXECUTIVE OFFICER II

INFORMATION TECHNOLOGY GROUP

MARIA BELINDA C. SAN JOSE
VICE PRESIDENT

SYSTEMS DEVELOPMENT DEPARTMENT

RAUL FILOMENO C. CABOTAGE
ASSISTANT DEPARTMENT MANAGER II

JOSE ALEX P. MERCADO
ASSISTANT DEPARTMENT MANAGER II

IBELIO B. RETES
ASSISTANT DEPARTMENT MANAGER II

HERMIL P. DE VERA
CORPORATE EXECUTIVE OFFICER II

JOSE P. MIANO
CORPORATE EXECUTIVE OFFICER II

TECHNICAL SUPPORT DEPARTMENT

RENAR M. GONZALES
DEPARTMENT MANAGER III

MADELAINE BARBARA M. FERNANDEZ
ASSISTANT DEPARTMENT MANAGER II

CORPORATE SERVICES SECTOR

ALMA TERESA R. MALANOG
SENIOR VICE PRESIDENT

HUMAN RESOURCE GROUP

MA. TERESITA V. LEIDO
VICE PRESIDENT

HUMAN RESOURCE ADMINISTRATION DEPARTMENT

MARIE HAZEL V. CIRIACO
DEPARTMENT MANAGER III

VIRGILIO C. ESTANISLAO
CORPORATE EXECUTIVE OFFICER II

ARLENE T. PANGILINAN
CORPORATE EXECUTIVE OFFICER II

MA. LOURDES R. RELUCIO
CORPORATE EXECUTIVE OFFICER II

MA. TERESA C. VESTAL
CORPORATE EXECUTIVE OFFICER II

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DEPARTMENT MANAGER III

ASUNCION S. CALAPAN
ASSISTANT DEPARTMENT MANAGER II

TRAINING INSTITUTE

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ASSISTANT DEPARTMENT MANAGER II

HERNANDO L. CATIGBE
CORPORATE EXECUTIVE OFFICER I

PDIC ROLL

as of June 16, 2011

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ABADILLA, FERNANDO S.
 ABAN, ALEXIS A.
 ABELEDA, SONIA A.
 ABENIS, MARIA SALOME C.
 ABIERA, DENNIS Y.
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 DELA CRUZ, AMAVI Y.
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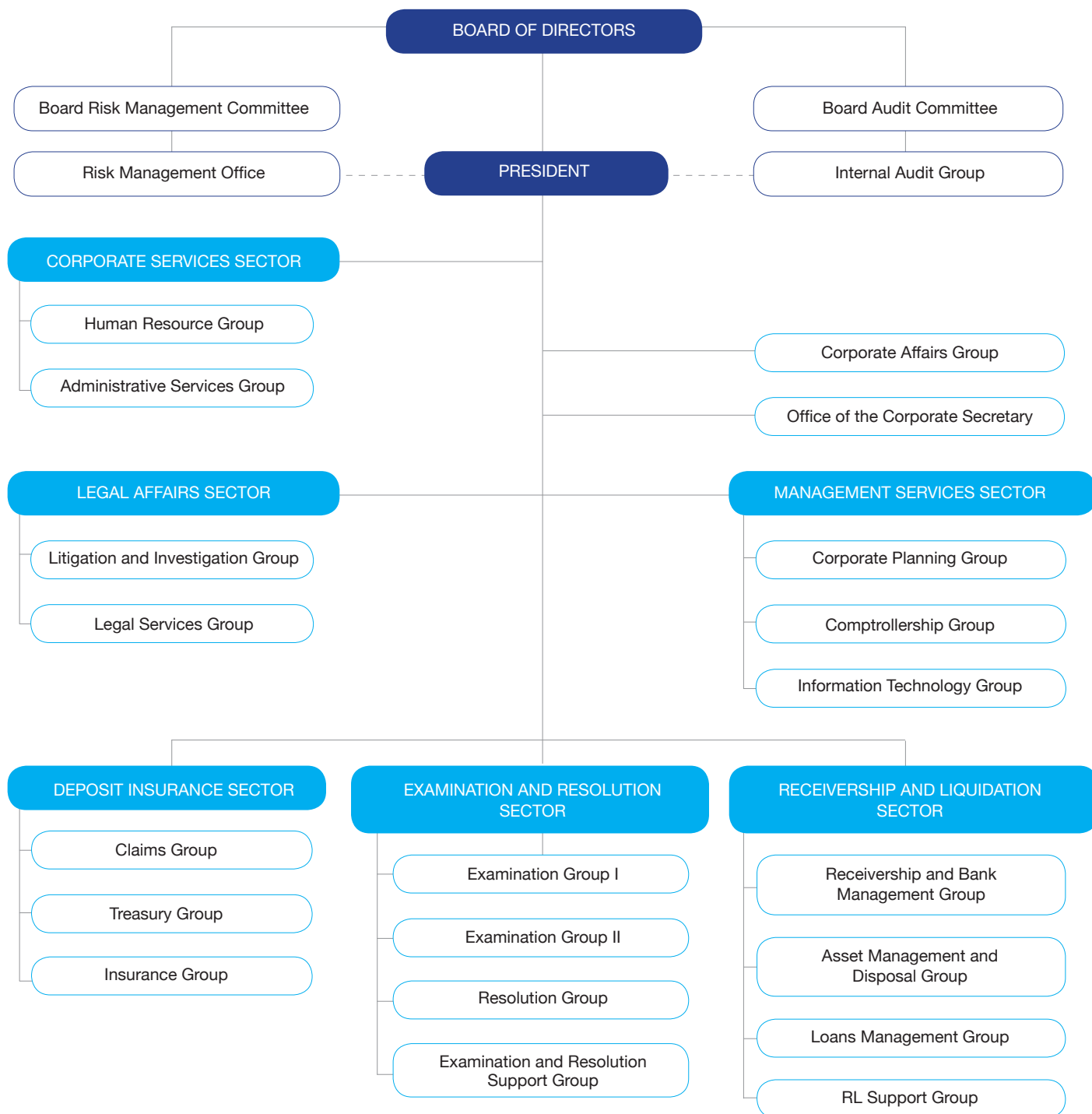
VALDEZCO, MICHAEL R.
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Y

YBAÑEZ, ANTONIO ERROL JR. B.

Organizational CHART

(AS OF MARCH 30, 2011)







PHILIPPINE DEPOSIT INSURANCE CORPORATION

SSS Building, 6782 Ayala Avenue
corner V. A. Rufino St., Makati City 1226 Philippines
Tel. Nos: (632) 841-4000 to 30
Fax No: (632) 841-4637
Website: www.pdic.gov.ph
E-mail: info@pdic.gov.ph