PDIC:

ON COURSE

2009 ANNUAL REPORT

CONTENTS

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

JOSE C. NOGRALES
President

November 2010

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:

I have the honor to present the Annual Report of the Philippine Deposit Insurance Corporation (PDIC) for the year 2009. 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 help maintain public confidence in the stability of the financial system.

Very truly yours,

PHILIPPINE DEPOSIT INSURANCE CORPORATION

JOSE C. NOGRALES
President

November 2010

Honorable JUAN PONCE ENRILE
President of the Philippine Senate

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

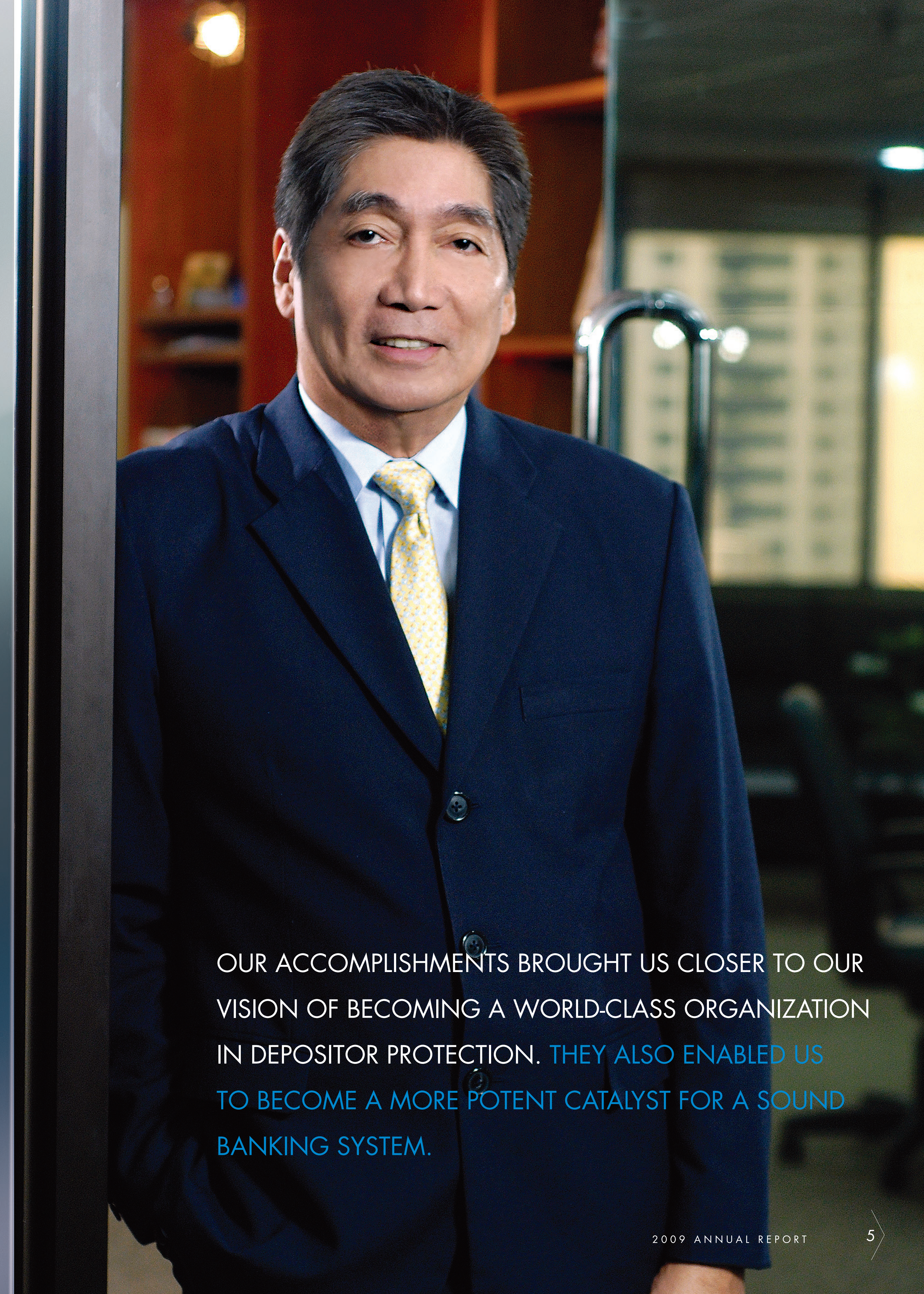
Dear Gentlemen:

I have the honor to present the Annual Report of the Philippine Deposit Insurance Corporation (PDIC) for the year 2009 pursuant to Section 20 of Republic Act 3591, as amended. The Report chronicles PDIC's accomplishments and highlights of operations in fulfilling its mandate as deposit insurer, statutory receiver/liquidator of closed banks, and co-regulator of the banking system.

On behalf of the PDIC Board of Directors, management and staff, I express our steadfast commitment to safeguard the interest of the depositing public.

Very truly yours,

PRESIDENT'S
MESSAGE



OUR ACCOMPLISHMENTS BROUGHT US CLOSER TO OUR VISION OF BECOMING A WORLD-CLASS ORGANIZATION IN DEPOSITOR PROTECTION. THEY ALSO ENABLED US TO BECOME A MORE POTENT CATALYST FOR A SOUND BANKING SYSTEM.

EVEN AS PDIC WAS ADDRESSING OPERATIONAL ISSUES BROUGHT ABOUT BY SPATE OF BANK CLOSURES, **IT CONTINUED TO WORK ON THE AMENDMENT OF ITS CHARTER,** ACHIEVING SEVERAL MILESTONES IN THE PROCESS.

PDIC hurdled the historic challenges of 2009 and emerged as a stronger organization that served the public better. During a year when international markets continued to reel from the fallout of the global financial crisis, PDIC was hit by the successive closures of 31 banks, the highest number in a decade. Although these closures were not related to the crisis, they came at a time of global uncertainty. They also exacerbated the heavy operational demands for claims processing relative to the twelve (12) Legacy banks shuttered in December 2008.

The Corporation reallocated resources to cope with the Herculean task of wading through tons of disorganized bank documents to validate accounts and claims, hampered by missing documents and strong indications of fraud. To further improve on operations moving forward, we undertook process re-engineering and corporate realignment.

PDIC Charter Amendments

Even as it was addressing operational issues brought about by spate of bank closures, the Corporation continued to work on the amendment of its Charter, achieving several milestones in the process. The passage of the revised PDIC Charter was a preemptive confidence-building measure that, at the same time, enhanced our effectiveness as part of the financial safety net.

The revised Charter, which took effect on June 1, 2009, doubled the maximum deposit insurance coverage (MDIC) from P250,000 to P500,000. As a result of PDIC's advocacy, the revised Charter also granted the Corporation the flexibility to adjust the MDIC in case of a condition that threatens the monetary and financial stability of the banking system, subject to approval by the President of the Philippines.

It likewise provided for institutional and financial strengthening measures to mitigate moral hazard and beef up the Deposit Insurance Fund (DIF) to levels consistent with its crucial role as part of the financial safety net, and provide adequate depositor protection. These include broader co-regulatory powers such as the authority to determine insured deposits, conduct special bank examinations, and examine deposit accounts if there is a finding of unsafe and unsound practices. Among the financial strengthening measures were tax exemption privileges and sovereign guarantee on bonds, debentures and other debt issuances. Five Regulatory Issuances (RIs) were issued during the year to implement the provisions of the revised Charter.

Legacy Banks

At year-end, despite unprecedented huge volume and complexity of accounts and claims, the Corporation had validated 86% or 115,802 of total number of accounts of 134,653 amounting to P11.7 billion in estimated insured deposits in the Legacy banks. It also validated P2.4 billion in estimated insured deposits for 20 banks closed in 2009 and P277.2 million for three banks closed in December 2008 whose examination and validation started in 2009. The combined total of almost P2.7 billion represented about 45% of total insured amounts as well as total accounts for the 23 closed non-Legacy banks. Meanwhile, validation of accounts in 11 more banks closed in December 2009 will start in 2010.

A total of P5.2 billion in deposit insurance for 58,351 claims was approved for payment in 2009 or 18% more than the P4.4 billion paid out in 2008. The Corporation had to apply extraordinary due diligence in validating the accounts and evaluating the claims owing to allegations of fraudulent and fictitious transactions and to ensure that the right amount is paid to the right depositor. Meanwhile, PDIC filed a total of 16 cases for fraud, irregularities, and anomalies against Legacy-affiliated corporations, their owners, officers and employees.

PDIC Operations

Astute investment decisions and overall prudent management of the DIF softened the impact of the sizeable payouts made during the year. Hence, the DIF, which is the fund source for payouts, registered only a slight decrease to P60.3 billion from P60.5 billion the previous year. While this represented a reversal in the upward growth trajectory over the past ten years, the year's DIF level at 67% of the required DIF, exceeded the 66% performance standard.

To continuously monitor the financial strength and operational capability of banks, the Corporation examined 25 member banks deemed important to the operations of PDIC. These banks have combined estimated insured deposits amounting to P117.2 billion based on the P500,000 MDIC. Close monitoring of banks assists the Corporation in identifying and managing risks to the DIF. It is also an exercise of its co-regulatory function designed to contribute to the stability of the banking sector.

During the year, the Corporation laid the foundation for new initiatives aimed at invigorating the banking sector, particularly rural banks. One of them is the P5.0 billion Strengthening Program for Rural Banks (SPRB). The Program seeks to promote a more vigorous rural banking system by encouraging the merger and consolidation of rural banks through financial and regulatory incentives to eligible banks. It will be undertaken in collaboration with the Bangko Sentral ng Pilipinas (BSP). A supporting program, the Investor-Investee Helpdesk, was also crafted to provide an electronic matching facility for banks of all categories seeking to merge or consolidate.

The Corporation intensified resolution of acquired assets bringing outstanding book value of accounts under its administration down to P20.7 billion. A total of 87 acquired assets with acquisition cost of P3.1 billion were resolved through various modes, during the year.

To enhance operational and organizational productivity and to meet the demands of implementing strengthened powers under its amended Charter, the Corporation underwent structural realignment, adopted the Corporate Governance Code and implemented the Citizen's Charter. These initiatives were also in keeping with the Corporation's aim of being a world-class organization in depositor protection.

We intensified our financial literacy advocacies during the year. The award-winning PDIC Financial Literacy Project was sustained by the distribution of additional Teacher's Guides, benefiting an estimated 11,500 public and private high schools since the program was launched in 2007. The Corporation also spearheaded the Be A Wise Saver campaign, a project aimed at promoting responsible banking among depositors. The project is supported by the BSP and the four major banking groups, making it the first industry-wide financial literacy advocacy in the country.

We continued our partnership with the Philippine Judicial Academy in the conduct of seminar-workshops on the mandate of PDIC for judges. This is envisioned to contribute to better appreciation and expeditious litigation of PDIC's receivership and liquidation cases.

PDIC sustained linkaging with other deposit insurers and like-minded institutions to gain insights on international best practices particularly in crisis response mechanisms. I continued to sit as member of the Executive Council of the International Association of Deposit Insurers (IADI). Early this year, I was appointed Chairman of the IADI Audit Committee, the first PDIC President to hold an IADI Committee Chairmanship.

These accomplishments brought us closer to our vision of becoming a world-class organization in depositor protection. They also enabled us to become a more potent catalyst for a sound banking system.

I commend all officers and staff of the Corporation for their unwavering commitment to public service. Together, we shall continue the journey to achieve excellence, with firm determination, tireless effort and resolve to continue to serve the public even better.

JOSE C. NOGRALES
President

ECONOMY & BANKING

The Economic Sector

The economy grew despite a tough year. The country's gross domestic product (GDP) registered a positive growth of 1.1% in real terms in 2009 from 3.7% in 2008 amid a global economic slowdown that adversely affected most Asian economies. The growth was mainly driven by the services sector given the strong performances of private and government services. On the demand side, government expenditures and consumer spending provided the necessary boost that compensated for the slump in exports and capital formation.

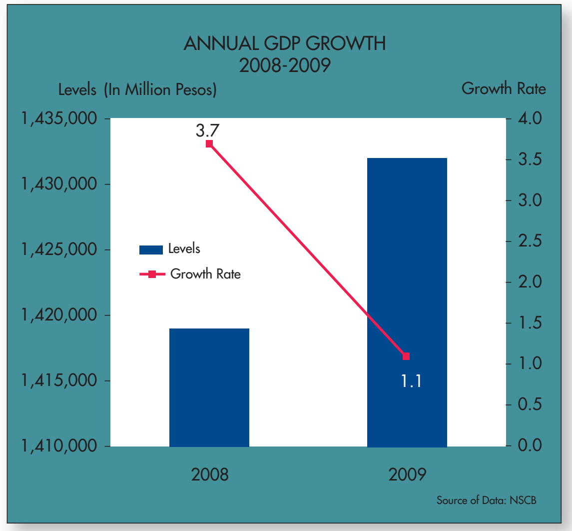
Services largely contributed to economic growth among the production sectors. Services posted a 2.8% growth, which, though lower than last year's 3.1%, accounted for half of the GDP and represented the strongest performance in the production sector. Private services like recreation and personal and related services, and government services led the performance in services. Finance also performed significantly well, growing by 5.9% compared to 2.5% in 2008. Banks registered a 9.0% growth, owing to consumer finance and loans to small and medium-scale enterprises.

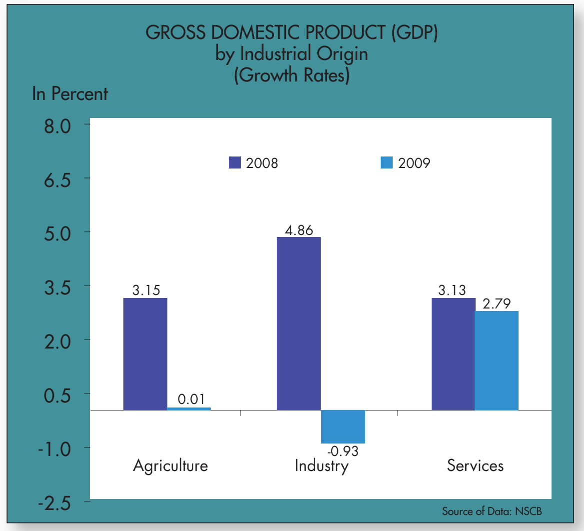
The agriculture sector which comprised around 18% of GDP did not grow in 2009. The sector suffered from the devastation brought by the typhoons that devastated the country's agricultural lands during the last quarter. Palay, the major farm output, contracted by 13.9% during the last months of the year.

Industry posted a negative growth of 0.9% in 2009 from a positive growth of 4.9% in 2008 and accounted for 32% of GDP. The sector took the brunt of the slowdown in the world's economies that caused demand for local products to slack. Manufacturing, corresponding to 70% of the gross value added of the sector, dropped by 4.4%.

Consumption buoyed economic growth on the demand-side. Government consumption posted a 10.9% growth in 2009 from 0.4% in 2010 due to fast-tracking of infrastructure projects to assuage the effects of the ongoing economic slowdown. Personal consumption likewise grew by 4.1%,

THE COUNTRY'S GROSS DOMESTIC PRODUCT (GDP) REGISTERED **A POSITIVE GROWTH OF 1.1% IN REAL TERMS IN 2009 FROM 3.7% IN 2008** AMID A GLOBAL ECONOMIC SLOWDOWN THAT ADVERSELY AFFECTED MOST ASIAN ECONOMIES.





albeit slower than 4.7% in 2008, as consumer spending continued with lower inflation and strong remittances from Overseas Filipino Workers (OFWs). Private investments, however, was sluggish given market uncertainty. Capital formation deteriorated by 5.7% in 2009 from last year's 2.3% expansion with the contraction in investments in fixed capital particularly on durable equipment.

Local demand for imported goods which were mostly production inputs also dropped by 1.9%, a reversal from previous year's growth of 0.9%. Exports were no exception, contracting further by 13.4% in 2009 from 2.0% in 2008. Demand for Philippine products declined with the ongoing financial crisis that affected the advanced economies.

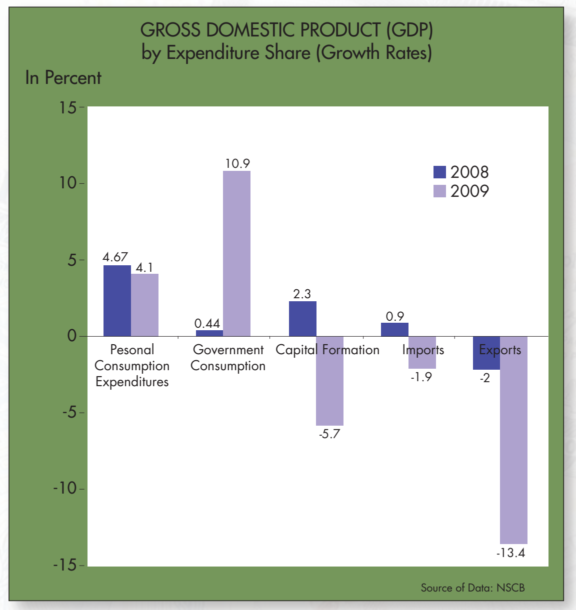
Price levels of goods and funds were lower and stable. The average inflation rate dropped drastically to 3.2% in 2009 from 9.3% in 2008, within the target of monetary authorities. Given a generally favorable supply situation for food and energy-related items, the inflation downtrend was sustained. This benign inflation environment provided room for easing monetary policy and reducing domestic interest rates. Thus, the reference 91-day Treasury bill rate went down to 4.2% in 2009 from 5.4% in 2008.

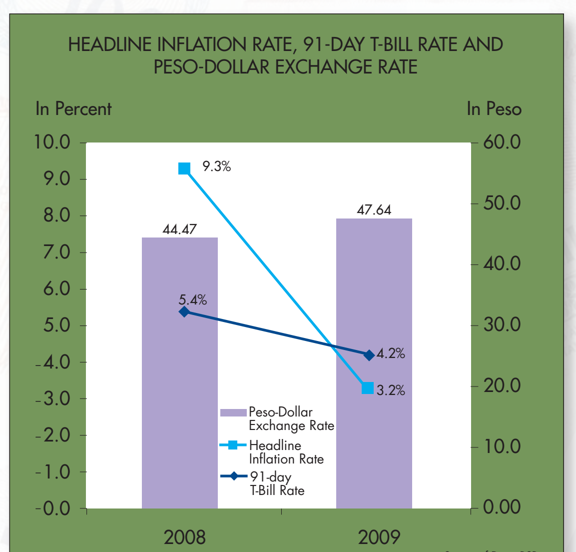
However, the peso depreciated vis-à-vis the US dollar during the period. The average peso-dollar exchange rate stood at P47.64 in 2009 from P44.47 in 2008. The depreciation is attributed to the continued risk aversion towards developing economies like the Philippines and the impact of the global financial crisis.

As the economy was stressed from both international and domestic fronts, some sectors were pressed down and badly hit. However, the Philippine banking system was spared from the turmoil and performed remarkably well.

Outlook. With enhanced regulation and supervision, and continued strengthening of governance among member banks, the banking system will be a strategic catalyst to enable the country to better face future challenges.

AS THE ECONOMY WAS STRESSED FROM BOTH INTERNATIONAL AND DOMESTIC FRONTS, SOME SECTORS WERE PRESSED DOWN AND BADLY HIT. HOWEVER, THE PHILIPPINE BANKING SYSTEM WAS SPARED FROM THE TURMOIL AND PERFORMED REMARKABLY WELL.





The Banking Sector

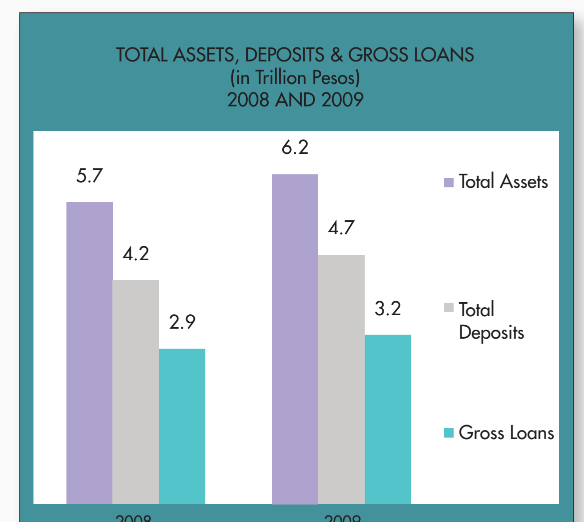
For the past year, Philippine banks posted double digit gains in profits and continued to improve their balance sheets with the reduction of bad assets from their portfolio.

Deposits continued to fund asset expansion. Total assets of the banking system increased by 9.1% to P6.2 trillion, funded primarily by deposits which grew by 11.4% to P4.7 trillion. Gross loans expanded by 8.7% to P3.2 billion.

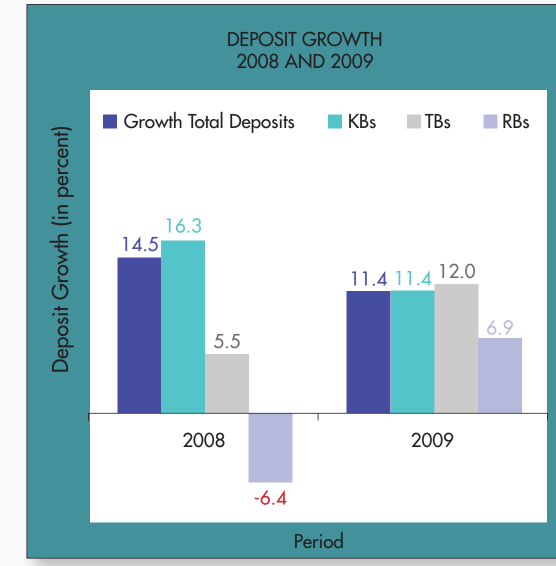
Thrift banks (TBs) posted deposit growth of 12.0%, outpacing commercial banks' (KBs) deposits with growth of 11.4%. On the other hand, rural banks posted growth of 6.9%, recovering from the 6.4% contraction in 2008.

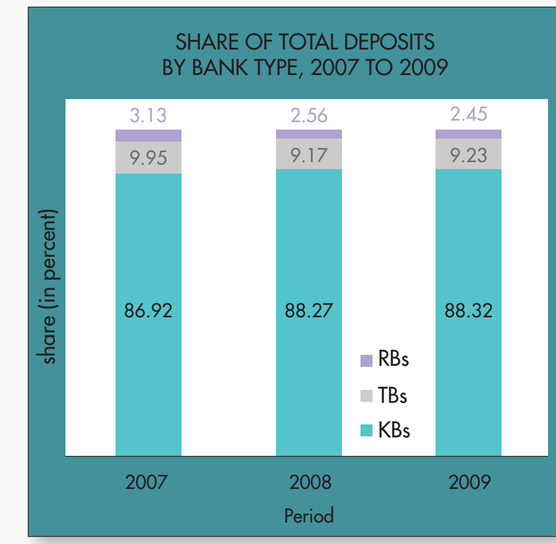
KBs continued to account for the bulk of deposits, slightly increasing its share to 88.32% of total deposits, from 88.27%. TBs' share likewise marginally increased to 9.23% from 9.17%, while the share of RBs dropped further to 2.45% from 2.6%.

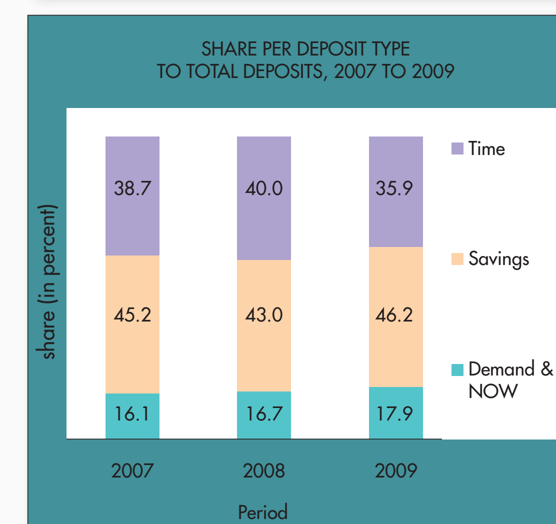
Per deposit type, savings deposits still comprised the bulk of deposits with its share to total deposits growing to 46.2% from 43.0%. On the other hand, the share of time deposits contracted to 35.9% from 40.0%, while the share of demand and NOW deposits expanded to 17.9% from 16.7%.



TOTAL ASSETS OF THE BANKING SYSTEM INCREASED BY 9.1% TO P6.2 TRILLION, FUNDED PRIMARILY BY DEPOSITS WHICH GREW BY 11.4% TO P4.7 TRILLION.



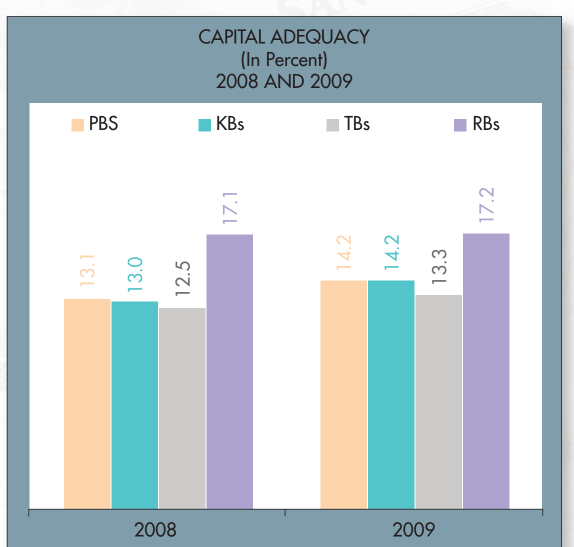




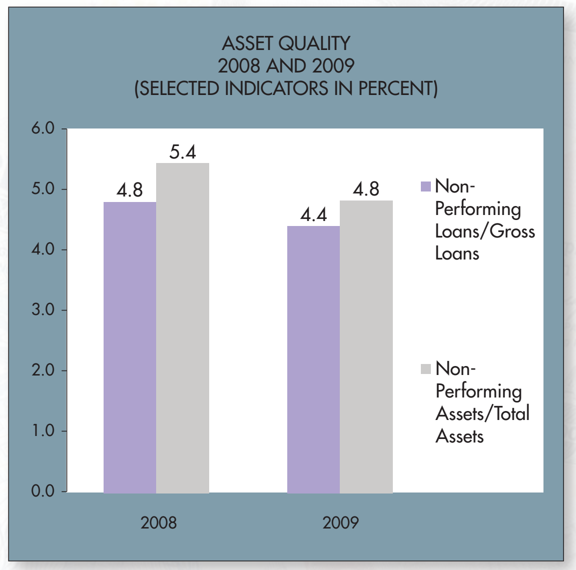
Banks' asset quality continued to improve. By the end of 2009, the ratios of non-performing loans (NPLs) to gross loans and non-performing assets (NPAs) to total assets of Philippine banks further improved over last year's levels. Banks' NPL and NPA ratios were healthier at 4.4% and 4.8%, respectively, from 4.8% and 5.4% the previous year. The NPL ratio went down as gross loans were higher and NPLs marginally contracted by 0.17%. In terms of bank categories, KBs showed an improved NPL ratio from 4.2% to 3.7%, while TBs and RBs slightly deteriorated from 7.8% to 7.9%, and 10.3% to 10.8%, respectively. The improvement in the NPA ratio was a result of improvements in all bank types.

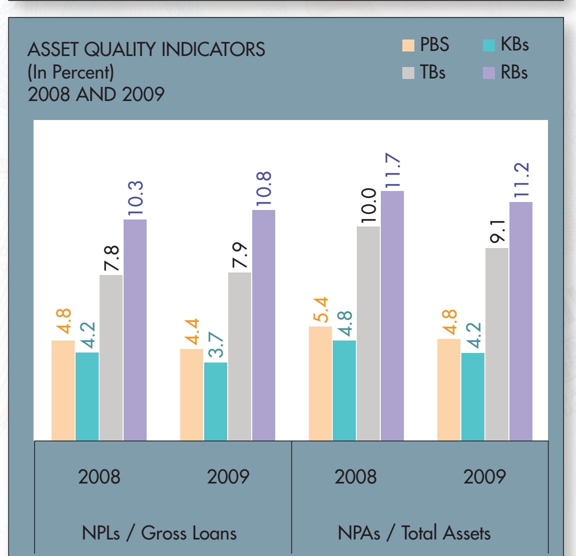
Capital adequacy of banks remained above prudential levels. Banks' capital to risk assets ratio improved to 14.2% from 13.1% in 2008. The ratio rose to 14.2% from 13.0% for KBs, 13.3% from 12.5% for TBs and 17.2% from 17.1% for RBs. This was above the 10.0% regulatory requirement of the Bangko Sentral ng Pilipinas (BSP) and the 8.0% required by the Bank for International Settlements (BIS).

Profitability Improved. Bank profitability improved as banks' return on equity (ROE) jumped to 10.7% from 6.9% and return on assets (ROA) inched to 1.2% from 0.8%. ROE of KBs improved to 11.3% from 7.1% and TBs continued improvement to 4.2% from 1.7%; while the ROE of RBs slightly dropped to 12.6% from 13.6%. As a group, RBs remained the most profitable, posting the highest ROE and ROA for three consecutive years.



Total profit after tax was up 66.8% to P69.4 billion from P41.6 billion reversing last year's contraction of 33.5% as net interest income and non-interest income expanded. Growth was propped up by the 25.8% increase in non-interest income to P105.8 billion from P84.2 billion. Interest income expanded slower by 3.3% to P336.1 billion from P325.4 billion. Interest expense contracted 10.9% to P125.8 billion from P141.2 billion while non-interest expense grew 6.2% to P204.0 billion from P192.2 billion.



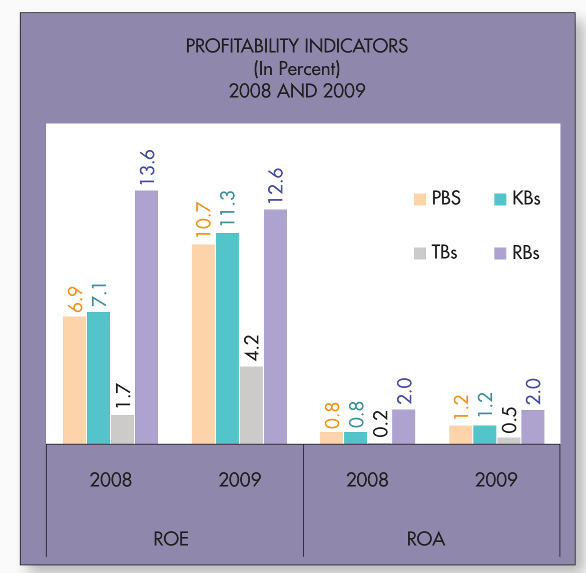


BANKS' CAPITAL TO RISK ASSETS RATIO IMPROVED TO 14.2% FROM 13.1% IN 2008.

By bank type, KBs's profit after tax jumped 69.9% to P63.7 billion from P37.5 billion. TBs further improved by almost 170% to P2.4 billion from P0.9 billion profit after tax, and RBs managed to marginally increase profits to P3.3 billion from P3.2 billion.

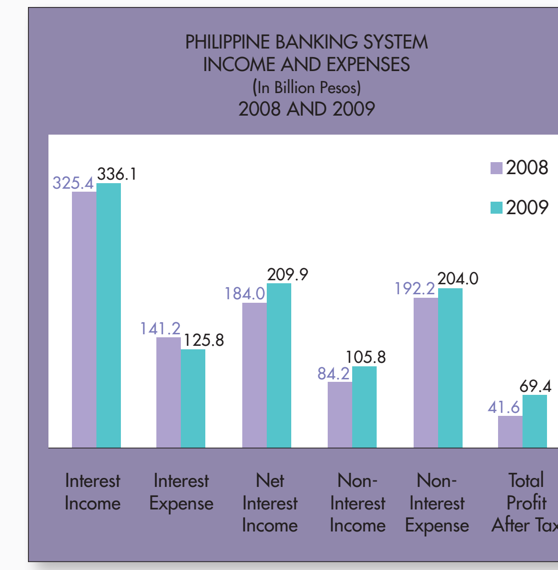
Banking system consolidation. The banking system continued to strengthen with the exit of weaker players and consolidation of banks with the stronger ones. There were 4 banks that merged into 2 banks and 7 banks consolidated to 3 banks in 2009. Despite the decrease in the number of operating banks, the banking system's operating network, comprised of head offices and branches, grew to 7,878 by the end of 2009 from 7,693 in 2008.

Outlook. For 2010, the banking sector is expected to perform better with improved economic prospects. PDIC will continue to play a pivotal role in the growth of the banking system by implementing institutional strengthening initiatives as well as advocacies and campaigns to promote responsible banking among depositors.



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

PDIC WILL CONTINUE TO PLAY A PIVOTAL ROLE IN THE GROWTH OF THE BANKING SYSTEM BY IMPLEMENTING INSTITUTIONAL STRENGTHENING INITIATIVES AS WELL AS ADVOCACIES AND CAMPAIGNS TO PROMOTE RESPONSIBLE BANKING AMONG DEPOSITORS.



RISK ASSESSMENT AND MANAGEMENT

The Philippine banking system manifested its resilience with a modest growth of 9.1% in terms of assets, despite the uncertainties surrounding the financial landscape in the wake of the global financial crisis. Total deposits in the banking system increased by 11.4% to P4.7 trillion in 2009 from P4.2 trillion in 2008. Estimated insured deposits at the increased MDIC level of P500,000 stood at P1.4 trillion. This covered 97% of total deposit accounts and represented 30% of total amount of deposits.

The Corporation assesses member banks at the mandatory rate of 1/5 of 1% per annum of the bank's total deposit liabilities, a rate which was maintained despite the increased insurance coverage level. Assessment collections for the year reached P8.3 billion or 14.0 % higher than last year's collection of P7.3 billion, consistent with the growth in deposits. As in previous years, the bulk of collections came from commercial banks, which accounted for 87.9% of total assessments. Thrift banks and rural banks accounted for 9.5% and 2.6%, respectively. While assessment collections from commercial banks and thrift banks registered steady growth, collections from rural banks declined by 9.3% due to bank closures.

Bank Examination

In line with the Corporation's co-regulatory function, it examines member banks to assess their financial condition and operations, identify potential risk areas, and recommend appropriate action plans and remedial measures.

In 2009, PDIC examined 25 banks compared to the 20 banks examined in 2008. These banks' insured deposits amounted to P117.2 billion. The 25 banks were prioritized for examination based on results of the PDIC's Offsite Bank Rating Model (OBRM) as well as evaluation of the banks that pose the greatest risk to the DIF. The OBRM generates risk ratings of individual member banks using banks' financial statements, examination findings of the BSP, and information sourced from credit rating agencies. Results are also used to identify banks for closer monitoring and subsequent in-depth offsite analysis.

Examinations may be regular or special in nature and conducted either independently by PDIC or jointly with the BSP. Independent examination of banks under financial assistance is conducted to monitor compliance with the terms and conditions of the financial assistance agreements including areas of risk management and governance. For banks-at-risk, PDIC examines the affairs and condition of the bank, and conducts examination procedures to determine unsafe and unsound banking practices and compliance to PDIC RIs as these pose threats to the DIF. Based on examination results, banks are required to submit written explanation on findings of violations of RIs and commit to address problem areas by way of an action plan with implementation timeline. The Corporation furnishes BSP with copies of examination reports in line with the information exchange agreement between PDIC and BSP. It continuously monitors actions taken by the bank to deliver commitments made.

To assist in streamlining the examination process and standardizing systems and procedures, the Corporation conducted a bank examination forum to initiate the formulation of examination procedures and reports. The forum allowed bank examiners to share actual field experiences, issues and concerns that served as critical inputs to the basic examination guidelines drafted during the year.

Regulatory Issuances

The Corporation issued the following five RIs to implement the revisions and new authorities under the amended PDIC Charter:

Regulatory Issuance (RI) No.	Title	Date Issued
2009-01	Advertisement of PDIC Membership and Deposit Insurance Coverage	June 23, 2009
2009-02	Use or Issuance of Statements on Deposit Insurance Coverage	September 19, 2009
2009-03	Determination of Beneficial Ownership of Legitimate Deposits	October 10, 2009
2009-04	Use of PDIC Seal	October 23, 2009
2009-05	Rules and Regulations on Examination of Banks	November 10, 2009

Existing RIs on Financial Reports; Record Keeping of Bank Deposits; and Assessment of Member Banks were reviewed in consultation with various stakeholders. These three RIs will be re-issued after the review.

Financial Assistance

Under its Charter, the Corporation is authorized to extend financial assistance to a distressed bank in danger of closing in the form of loans, purchase of assets, assumption of liabilities or placement of deposits, when the continued operation of such bank is essential to provide adequate banking service in the community or maintain financial stability in the economy. Further, said financial assistance may take the form of an equity or quasi-equity of the insured bank as may be deemed necessary by the Board with concurrence of the Monetary Board.

In March 2009, the rehabilitation of one commercial bank was implemented through conversion of the outstanding P12 billion PDIC financial assistance into capital notes of said bank for the same amount. This was part of concerted efforts to bring the bank to safe harbor. No new financial assistance was granted in 2009. Meanwhile, the rehabilitation of three (3) commercial banks with existing financial assistance continued during the year. Also, the financial assistance granted to two (2) commercial banks for their separate acquisitions by way of purchase of assets and assumption of liabilities of one (1) thrift bank and two (2) commercial banks remained outstanding. Meanwhile, two (2) commercial banks granted financial assistance by the Corporation in the past, are currently involved in negotiations for the purchase of assets and assumption of liabilities of other banks.

Bank Strengthening Initiatives

The Corporation actively pursued initiatives aimed at strengthening the banking system, through consolidations and mergers. Before the year ended, the Corporation had completed frameworks for two such projects. These are the Strengthening Program for Rural Banks (SPRB) and the Investor-Investee Helpdesk.

Strengthening Program for Rural Banks (SPRB)

The SPRB is a P5-billion incentive program aimed at encouraging mergers and consolidation among rural banks to strengthen the rural banking industry and enhance its long-term viability. The program will give financial incentives and assistance to eligible banks through a combination of preferred shares and loan. The program shall be undertaken in cooperation with the BSP which will provide P2.5 billion counterpart funding and regulatory relief to the banks. The PDIC Board approved the SPRB in October 2009, while the Monetary Board of the BSP approved the program in December 2009. PDIC and BSP shall draw up the implementing guidelines and jointly launch the program in 2010.

PDIC Investor-Investee Helpdesk

In support of promoting consolidation in the banking industry and to complement the SPRB, the PDIC finalized the implementing guidelines of the Investor-Investee Helpdesk in November 2009. The Helpdesk, to be launched at the start of 2010, is a facility designed to match investors looking for banks to acquire or invest in, with banks seeking interested acquirers. It shall be provided free of charge. In order to be considered eligible, investors must be banks or non-bank financial institutions not cited for violation of any PDIC regulatory issuances and not under BSP prompt corrective action. On the other hand, investees must be operating banks that are not in violation of PDIC regulatory issuances.

Applicants are required to submit the following documents when applying in the Helpdesk: (a) letter of intent to register as either investor or investee; (b) board resolution declaring investor's/investee's intent to locate prospective investees/investors and designating an authorized representative to transact with the Helpdesk; (c) latest audited financial statements and (d) duly accomplished registration form.

The matching process is automated and based entirely on the information/reports provided by the investors/investees. Under the terms and conditions of the guidelines, all parties are strictly bound to keep confidential information that they come to know through the Helpdesk. The PDIC is likewise bound to ensure confidentiality of identities of investor and investees. Any breach of confidentiality shall subject officers and staff concerned to sanctions and penalties.

The Helpdesk is a facility designed to match investors looking for banks to acquire or invest in, with banks seeking interested acquirers.

Management and Resolution of Acquired Assets

PDIC acquired non-performing assets with aggregate balances of P31.2 billion as a result of financial assistance to banks and as payment by closed banks for subrogated deposits and receivership/liquidation expenses. Through continuous efforts to expedite resolution of the large volume of these acquired assets, outstanding amount of assets for resolution dropped to P20.7 billion by the end of 2009. These consisted of 2,419 loan accounts with balances of P16.6 Billion and 1,106 real properties & other assets (ROPA) with aggregate book value of P4.1 billion.

In 2009, the Corporation resolved 87 accounts with total book value of P3.1 billion. Forty-two loan accounts amounting to P196.2 million were resolved through cash settlement and restructuring while 32 properties amounting to P233.7 million were sold via negotiated mode and public bidding. Assets established to have nil recovery amounting to P2.7 billion were written-off.

The Corporation adopted measures to preserve the value and enhance the marketability of the acquired assets. Whenever necessary, security guards or caretakers were posted to secure the properties. Real property taxes were also promptly paid.

The Corporation also conducted regular appraisal of properties, rectification/completion of documentary deficiencies of loans and consolidation of titles over acquired real properties in the name of PDIC. These activities are in line with efforts to maximize recovery. To significantly reduce the volume of non-performing assets by at least P5.0 billion, the Corporation commenced preparations for portfolio/bulk sale project.

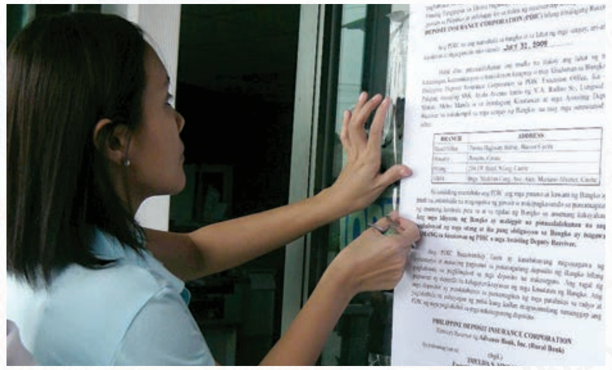
PDIC conducts public biddings to sell assets acquired from financial assistance to banks. In 2009, PDIC resolved 87 accounts with total book value of P3.1 billion.

RECEIVERSHIP AND
LIQUIDATION

Bank Closures

PDIC took control of 31 banks closed by the Monetary Board in 2009, the highest number of bank closures in the past decade. This brought the total number of banks under PDIC receivership and liquidation to 523 as of yearend, consisting of two commercial banks, 62 thrift banks, and 459 rural banks. By region, closed banks were distributed as follows:

Region	No. of Closed Banks
TOTAL	523
1	53
2	13
3	82
4	76
5	53
6	59
7	26
8	25
9	10
10	16
11	23
12	7
ARMM	20
CAR	11
CARAGA	11
NCR	38



PDIC pays courtesy calls to heads of local government units during bank takeovers to seek required assistance and to strengthen linkages.

BANKS CLOSED IN 2009

	Name of Bank	Head Office Location	Date ordered closed by MB
1	Rural Bank of Subangdaku (Cebu), Inc.	Cebu	January 8, 2009
2	Rural Bank of Bacolor (Pampanga), Inc.	Pampanga	January 8, 2009
3	Rural Bank of Sta. Rita (Pampanga), Inc.	Pampanga	January 8, 2009
4	Rural Bank of Polangui (Albay), Inc.	Albay	February 26, 2009
5	Rural Bank of Batan (Aklan), Inc.	Aklan	March 6, 2009
6	Cooperative Bank of Zamboanga del Sur	Zamboanga del Sur	March 6, 2009
7	Rural Bank of Maribojoc (Bohol), Inc.	Bohol	April 8, 2009
8	Bangko Rural ng Kalumpit (Bulacan), Inc.	Bulacan	April 17, 2009
9	Accord Savings Bank, Inc.	Benguet	April 17, 2009
10	Winbank, Inc. (A Thrift Bank)	Bulacan	April 30, 2009
11	Rural Bank of Sapang Dalaga (Misamis Occidental), Inc.	Misamis Occidental	May 14, 2009
12	Banco Agricola, Inc. (A Rural Bank)	Isabela	May 21, 2009
13	Rural Bank of Mabinay (Negros Oriental), Inc.	Negros Oriental	May 28, 2009
14	Cardinal Rural Bank (Cebu), Inc.	Cebu	May 28, 2009
15	Rural Bank of Oas (Albay), Inc.	Albay	June 25, 2009
16	Rural Bank of Toledo City (Cebu), Inc.	Cebu	July 2, 2009
17	Advance Bank, Inc. (Rural Bank)	Cavite	July 30, 2009
18	Philippine Farmers' Bank, Inc. (A Rural Bank)	Misamis Oriental	September 17, 2009
19	Rural Bank of Gabaldon (Nueva Ecija), Inc.	Nueva Ecija	September 17, 2009
20	Rural Bank of Dasol (Pangasinan), Inc.	Pangasinan	October 29, 2009
21	Rural Bank of Libon (Albay), Inc.	Albay	November 6, 2009
22	Rural Bank of Sarrat (Ilocos Norte), Inc.	Ilocos Norte	November 12, 2009
23	Balayan Bay Rural Bank (Batangas), Inc.	Batangas	November 26, 2009
24	Rural Bank of San Ildefonso (Bulacan), Inc.	Bulacan	December 1, 2009
25	Kaunlaran Rural Bank (Pangasinan), Inc.	Pangasinan	December 3, 2009
26	Camiguin Cooperative Rural Bank	Camiguin	December 3, 2009
27	Rural Bank of Tacurong (Sultan Kudarat), Inc.	Sultan Kudarat	December 3, 2009
28	President Roxas Rural Bank (Capiz), Inc.	Capiz	December 10, 2009
29	Rural Bank of Bautista (Pangasinan), Inc.	Pangasinan	December 10, 2009
30	Rural Bank of Malasiqui (Pangasinan), Inc.	Pangasinan	December 10, 2009
31	Corfarm Rural Bank of Umingan (Pangasinan), Inc.	Pangasinan	December 10, 2009

PDIC TOOK CONTROL OF 31 BANKS ORDERED CLOSED BY THE MONETARY BOARD IN 2009. THIS BROUGHT THE CUMULATIVE NUMBER OF BANKS UNDER PDIC RECEIVERSHIP AND LIQUIDATION TO 523 AS OF YEAREND.

The record number of bank closures in 2009 was preceded by the simultaneous closures of 12 Legacy-affiliated rural banks in December 2008. The successive closures exacerbated the already challenging backdrop for PDIC operations for 2009.

As mandatory receiver of closed banks, PDIC exercises authority in the preservation of records and documents of closed banks.

Closed Bank Assets

The Estimated Realizable Value of Assets (ERVA) of the 523 banks under receivership and liquidation was placed at P15 billion as of yearend, down by 53% from the P31.9 billion ERVA in 2008. The sharp adjustment resulted from findings of gross overstatement of the assets of banks closed in 2008, particularly the 12 Legacy banks, based on results of asset verification, valuation, and appraisal.

PDIC is mandated to manage these assets and to maximize recovery or sales to settle claims of creditors and stockholders, including uninsured depositors. Of the P15 billion ERVA of banks under PDIC receivership and liquidation, 36% or P5.41 billion consisted of cash recoveries and funds-held-in-trust, 28% or P4.18 billion were loans, while 36% or P5.4 billion comprised of Real and Other Properties Acquired (ROPA), bank premises, furniture, fixtures and equipment, and other assets.

Asset Distribution

To complete the bank liquidation process, PDIC prepares a Final Project of Distribution (FPOD), which details the distribution plan of a closed bank's available assets to its creditors in accordance with the Rules on Concurrence and Preference of Credits. The FPODs are filed with the liquidation courts. Upon approval of the liquidation courts, assets are distributed to concerned creditors.

During the year, the Corporation filed with the liquidation courts 22 FPODs bringing the cumulative number of FPODs filed to 238. Of the 22 FPODs filed the courts approved 12 FPODs involving P90.8 million worth of assets for distribution to various creditors including the PDIC, BSP, and the Bureau of Internal Revenue (BIR).

Public bidding of assets and properties of closed banks are conducted to expedite recovery and settlement of claims of creditors.

Recoveries

The Corporation recovered a total of P511.4 million in cash in 2009, higher by 82% compared to 2008. Diligent recovery efforts resulted in P415.6 million in loan payments, and in resolution of loan accounts through compromise settlement. Likewise, efforts to dispose ROPA and personal properties resulted in sales of almost P63.9 million during the year. Sale of ROPA through public bidding amounted to P29 million, which was more than double the P13.4 million generated last year; while disposal through negotiated sale amounted to P15.7 million. In addition, income from rental, sale of fruits of properties and other recoveries generated an additional of almost P31.9 million. A total of P40.2 million were collected from agricultural properties referred under the Comprehensive Agrarian Reform Program (CARP). There were 416 agricultural properties referred in 2009 for possible coverage under the CARP.

As of 2009, PDIC had distributed P9.8 billion worth of assets to various creditors of closed banks, representing 91% of the P10.8 billion total assets approved for distribution. Of these assets, a total of P9.4 billion were paid to the Central Bank-Board of Liquidators, the Bureau of the Treasury, PDIC, BSP, and BIR.

Closed Bank Creditors	Amount Distributed as of end 2009 [in million pesos]
TOTAL	9,834.4
CB-Board of Liquidators	4,232.7
Bureau of the Treasury	2,015.6
PDIC	1,543.4
BSP	891.0
Bureau of Internal Revenue	675.8
Asset Privatization Trust	8.1
Other Creditors	467.8

CLAIMS SERVICING

Claims servicing for the 12 Legacy banks closed in December 2008 spilled over to 2009, posing a formidable challenge to the Corporation's resources, systems and processes. The difficulties caused by these Legacy banks, from sheer volume of transactions to findings of fraud, anomalies and irregularities, were exacerbated by the processing of claims from the 31 banks closed in 2009. Nearly half of the Corporation's manpower was deployed to various sites nationwide to service claims of Legacy bank depositors alone. This prompted the Corporation to implement extraordinary but cautious measures to protect both the depositors and the DIF.

The Corporation engaged external audit firms to speed up the claims settlement process. It also tapped forensic experts from an internationally-affiliated audit firm to investigate fraud schemes, anomalies and irregularities in the Legacy banks. These were pursued to validate and investigate deposit schemes employed by the Legacy group of companies. Moving forward, the Corporation reviewed its business processes, streamlining and simplifying procedures and requirements particularly on claims settlement.

As of end 2009, the Corporation had successfully validated P11.7 billion or 83.6% out of the P14 billion in estimated insured deposits in the Legacy banks. In terms of number of accounts, this constituted 86% of the total accounts of 134,653. Examination and validation of deposit accounts against bank records is the first stage of claims processing.

PDIC engaged the services of external audit firm, KPMG Manabat San Agustin, to speed up the pre-settlement examination of deposit accounts in Legacy banks.

PDIC personnel distribute claim forms and explain the procedures and requirements for filing deposit insurance claims.

MOVING FORWARD, THE CORPORATION REVIEWED ITS BUSINESS PROCESSES, STREAMLINING AND **SIMPLIFYING PROCEDURES AND REQUIREMENTS** PARTICULARLY ON CLAIMS SETTLEMENT.

In 2009, a total of P5.2 billion of claims filed were approved for payment in Legacy banks, and P427.6 million in the non-Legacy banks.

The second phase is the evaluation of claims, including verifying the identity of the claimant. The Corporation received a total of 118,584 Legacy bank-related claims in 2009. After thorough evaluation, 45% or P5.2 billion of the claims filed were approved for payment. Of this amount, check payments for a total of P4.5 billion had been mailed to depositors as of yearend.

In addition, PDIC validated P2.4 billion in estimated insured deposits for 20 banks closed in 2009 and P277.2 million for three banks closed in December 2008. The combined total of almost P2.7 billion represented about 45% of total insured amounts as well as total accounts for the 23 closed banks. Meanwhile, validation of accounts in 11 banks closed in December 2009 will start in 2010.

Of the validated claims in non-Legacy banks, a total of 31,352 claims amounting to P1.4 billion were filed in 2009, of which P427.6 million or 29% were approved for

PDIC upgraded its services through streamlining of claims processes to ensure prompt payment of deposit insurance claims.

payment. Of this amount, check payments for P229.7 million or 60% of said amount had been mailed to depositors as of yearend.

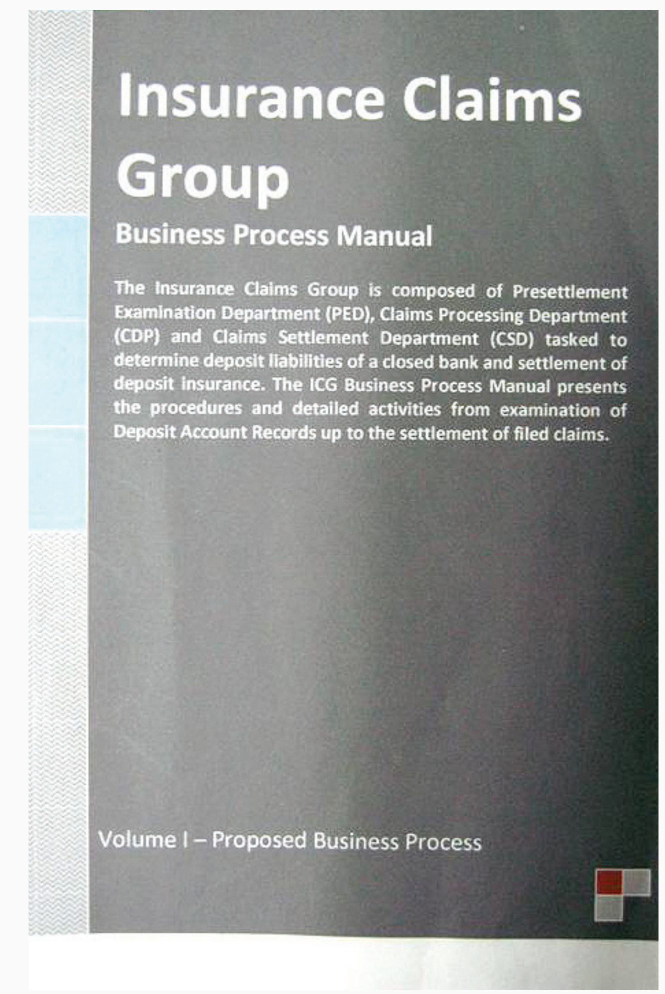
Total payments for deposit insurance claims since 1970, the year when PDIC assumed the task of claims payment from then Central Bank of the Philippines, have reached almost P26.4 billion or 79% of the total claims filed, or 65% of the total estimated insured amount. These represent payments for 1,648,447 accounts or 96% of total claims filed. The remaining claims of 73,397 accounts amounting to P6.8 billion are either subject of further examination and investigation, or are document deficient, in which case, PDIC is awaiting submission of requirements by claimants. Since the 1970s, PDIC has recovered subrogated claims of about P2.2 billion from 190 closed banks.

PDIC meticulously examines documents submitted by depositors to ensure that rightful depositors are paid the right amounts.

PDIC undertook a business process review and simplification of its claims operations to enhance claims processing.

Business Process Review for Claims Settlement Operations

The Legacy bank failures which involved the processing of a huge volume of accounts challenged PDIC's claims systems, procedures and resources. In response, the Corporation undertook a business process review and simplification of its claims operations. The process re-engineering resulted in enhanced operations which were subsequently codified into a Business Process Manual for Claims Settlement Operations (CSO) for standardization to ensure consistency of service. The streamlined and standardized process will enable PDIC to better respond to future demands for claims settlement and payment operations of the same or higher magnitude as those involved in the Legacy closures.

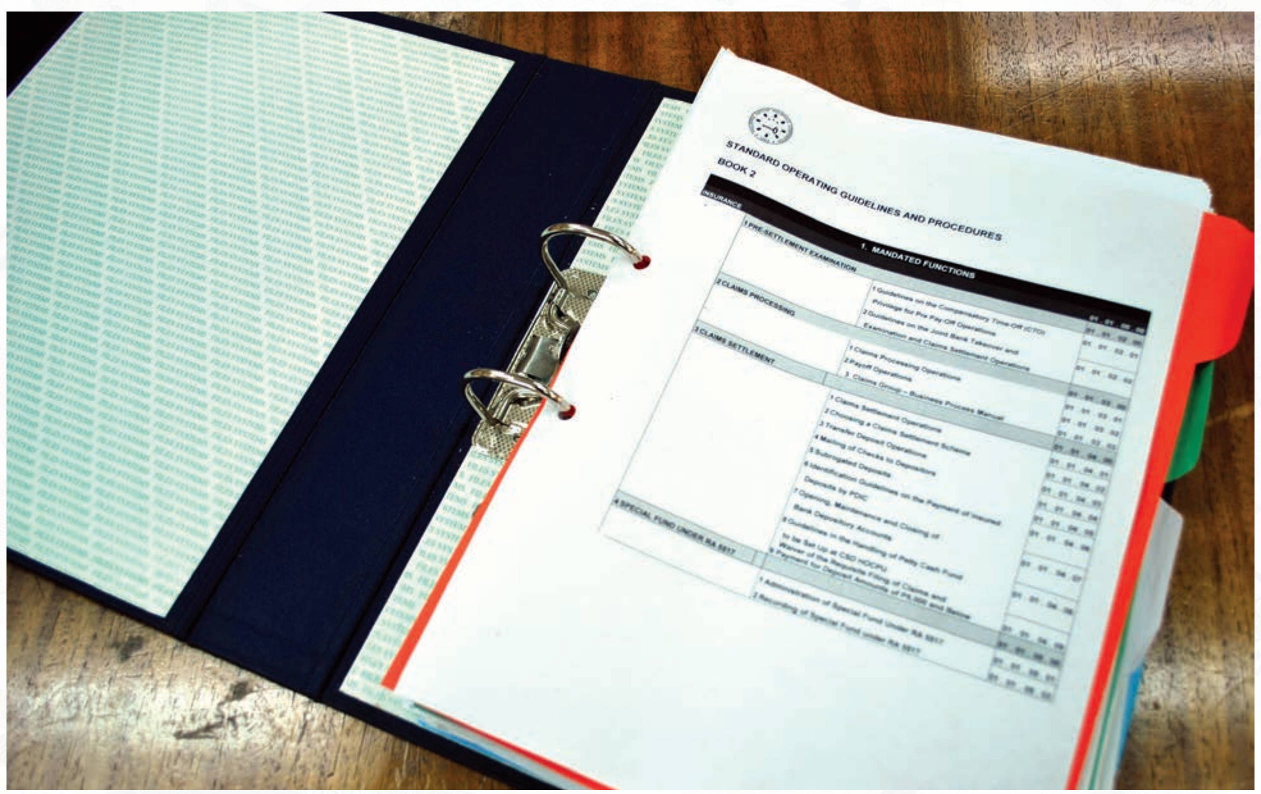


Aside from mapping out the primary processes and workflow details in the Manual, the following enhancements in the processes were made: systematic and stratified sampling approach in the validation of deposit accounts versus 100% validation; system-generated computations in said deposits and payment vouchers; design of a system-generated computation of insured deposits; design of a system-generated Payment Voucher; and revision of the PDIC Claim Form to incorporate operational and depositor requirements. The revised Claim Form now includes on affidavit of ownership which affirms the ownership of the depositor in the claim. This is relevant in cases where there are no signature cards on file in bank records, and is deterrent against false statement regarding ownership.

The resulting PDIC business process likewise delineated the tasks of various personnel under the Corporation's Insurance Claims Group, namely: presettlement examination, claims processing, and claims settlement.

The manual is divided into three parts. The first part provided an overview of the Corporation's insurance claims group and the work processes in claims payment. The second part identified and defined the scope of tasks and responsibilities of the core and support groups, while the third part discussed the policies and general guidelines on claims payment, process flow on CSO as well as procedures on field operations in claims settlement.

The completion of the process review as codified in a Manual was an initial step towards the Corporation's goal of benchmarking PDIC's operations with world-class standards by way of ISO[1] certification of its Claims Servicing Operations (CSO). An important step towards the ISO 9001:2008 certification of PDIC's CSO is the implementation of a Quality Management System (QMS). The Corporation thus proceeded to prepare a QMS for CSO to move towards being ISO certified.



The Business Process Manual for CSO maps out the primary processes and workflow of claims settlement, as well as defines delineation of tasks of various personnel involved in the CSO.

[1]ISO is a set of standards adopted by business, government, and society to align systems and process to international standards.

CLAIMS SETTLEMENT OPERATIONS (CSO)
AS OF DECEMBER 31, 2009
(AMOUNT IN MILLION PESOS)

Particulars	Banking Units	Total Deposit Liabilities		Estimated Insured Deposits		Claims Filed		Insured Deposits Paid As of Dec. 31, 2009	
		Accts	Amount	Accts	Amount	Accts	Amount	Accts	Amount
Banks started CSO prior to 2009	1,279	5,946,641	46,902.69	2,304,783	28,712.01	1,640,044	25,739.76	1,616,640	23,634.65
1 Rural Bank of Paranaque, Inc.	5	37,423	5,172.87	37,318	4,577.70	28,538	2,926.90	14,739	2,060.18
2 Other Banks	1,274	5,909,218	41,729.83	2,267,465	24,134.31	1,611,506	22,812.86	1,601,901	21,574.47
Banks started CSO in 2009	80	167,235	13,625.68	166,651	11,600.41	81,800	7,450.26	31,807	2,724.42
1 San Pablo Development Bank, Inc.	2	1,297	189.59	1,297	186.31	986	175.88	291	50.47
2 Accord Savings Bank, Inc.	12	15,809	832.64	15,809	636.30	667	46.80	8	0.62
3 Rural Bank of Nueva Caceres (Naga City), Inc.	1	1,113	21.75	1,113	21.70	511	20.00	505	19.86
4 Rural Bank of San Jose (Batangas), Inc.	1	3,894	699.80	3,894	653.04	4,022	521.60	868	64.35
5 Pilipino Rural Bank, Inc.	4	15,784	2,419.69	15,672	1,803.04	12,925	1,095.06	5,524	595.90
6 Rural Bank of Bais (Negros Oriental), Inc.	4	6,634	767.34	6,632	646.84	4,346	458.64	905	26.30
7 Bank of East Asia [Banco Rural de Bisayas (Minglanilla, Cebu)], Inc.	3	4,430	721.62	4,422	651.01	3,576	432.10	2,266	402.16
8 First Interstate Bank (Rural Bank of Kananga, Leyte), Inc.	6	5,669	440.04	5,666	399.12	3,355	269.68	2,181	230.42
9 Philippine Countryside Rural Bank (Cebu), Inc.	8	16,552	1,599.62	16,487	1,419.16	11,197	796.53	6,459	616.93
10 Dynamic Bank [Rural Bank of Calatagan (Batangas)], Inc.	8	25,691	1,812.92	25,691	1,676.25	12,619	1,410.64	4,238	126.57
11 Community Rural Bank of San Joaquin (Iloilo), Inc.	1	2,285	32.00	2,285	29.78	1,238	23.28	649	13.26
12 Nation Bank, Inc. (A Rural Bank)	5	5,016	586.02	4,978	540.05	3,741	466.18	922	15.45
13 Rural Bank of DARBCI (Polomolok, South Cotabato), Inc.	1	5,074	747.55	4,764	594.65	3,363	420.49	1,237	192.86
14 BDB Bank, Inc., A Rural Bank	2	5,919	257.57	5,919	238.54	2,223	169.65	116	11.57
15 Rural Bank of Carmen (Cebu), Inc.	1	3,492	400.43	3,491	375.15	2,288	226.02	1,056	127.40
16 Rural Bank of Subangdaku (Cebu), Inc.	7	20,442	1,503.71	20,430	1,266.73	7,575	527.63	660	31.52
17 Rural Bank of Sta. Rita (Pampanga), Inc.	2	10,702	200.57	10,702	131.64	1,953	111.99	1,735	107.14
18 Rural Bank of Bacolor (Pampanga), Inc.	3	3,159	144.20	3,126	96.39	1,689	83.53	1,505	82.15
19 Rural Bank of Polangui (Albay), Inc.	1	1,512	115.98	1,512	110.18	711	100.91	66	4.56
20 Rural Bank of Batan (Aklan), Inc.	1	950	7.85	950	7.78	371	6.73	155	0.73
21 Cooperative Bank of Zamboanga del Sur	1	6,330	26.73	6,330	23.82	439	12.23	83	0.57
22 Bangko Rural ng Kalumpit (Bulacan), Inc.	2	1,910	54.16	1,910	53.02	777	45.94	1	0.02
23 Rural Bank of Sapang Dalaga (Misamis Occidental), Inc.	1	1,554	5.07	1,554	4.84	350	3.27	294	1.68
24 Rural Bank of Oas (Albay), Inc.	1	62	0.27	62	0.27	10	0.12	2	0.05
25 Rural Bank of Toledo City (Cebu), Inc.	1	1,759	37.97	1,759	34.17	866	25.37	79	1.84
26 Rural Bank of Gabaldon (Nueva Ecija), Inc.	1	196	0.63	196	0.63	2	0.00	2	0.00
Grand Total	**1,359**	**6,113,876**	**60,528.37**	**2,471,434**	**40,312.42**	**1,721,844**	**33,190.02**	**1,648,447**	**26,359.07**

A STRENGTHENED PDIC CHARTER

The global financial crisis of 2008 was described as a borderless crisis of confidence. To preempt the possible adverse effects of the crisis on public confidence and financial stability the PDIC supported amendments to its Charter, doubling the maximum deposit insurance coverage. At the same time, it advocated for financial and institutional strengthening measures to equip the Corporation in effectively discharging its mandate as well as mitigating moral hazard.

PDIC participated in a series of legislative hearings and presentations, dialogues and consultations with banks, and public discussions on the proposed revisions to the PDIC Charter. The Bicameral Conference Committee led by Senator Edgardo J. Angara, Chairman of the Senate Committee on Banks and Financial Institutions, and Representative Jaime Lopez, House Chairman of the Committee on Banks and Financial Intermediaries, ratified the consolidated bill amending the PDIC Charter in March 2009. The bill was signed into law by President Gloria Macapagal-Arroyo on April 29, 2009 and became Republic Act 9576. It took effect on June 1, 2009, paving the way for a new wave of reforms in deposit insurance and financial stability.

The Law doubled the maximum deposit insurance coverage (MDIC) to P500,000, providing greater insurance protection to depositors. It also granted PDIC the following institutional strengthening measures to mitigate moral hazard posed by the increase in MDIC and strengthen its oversight and regulatory functions: (a) authority to determine insured deposits; (b) authority to conduct independent special bank examination; (c) authority to examine deposit accounts in ailing banks if there is a finding of unsafe and unsound banking practice; (d) flexibility mechanism to adjust deposit insurance as the need arises; and (e) modified immunity from suit. These institutional strengthening measures were complemented by financial strengthening initiatives to help build up the Deposit Insurance Fund (DIF) and reinforce public confidence in the banking system.

The financial strengthening measures included (a) exemption from all taxes starting 2014; (b) reimbursement from the National Government of its share in deposit insurance payments in excess of P250,000; and (c) grant of sovereign guarantee on bonds, debentures and other debt issuances. Together, these bold, preemptive, confidence-building measures sent a strong signal that the PDIC stood better prepared to help address potential threats to the stability of the banking system.

The unequivocal support of the Senate and the House of Representatives was the driving force to the quick passage of the amended PDIC Charter.

SUPPORT INFRASTRUCTURE

Human Resources

The centerpiece training initiative for 2009 was the Cascading of the Vision and Mission statements across the organization. Approximately 96% of the Corporation's employees participated actively in the program, as work groups revisited their respective roles and key result areas in the light of PDIC's bid to become a world-class organization.

In addition to the Vision & Mission cascade, the training activities in 2009 included six key programs which addressed the need to build core competencies: the Foundation Course for New Hires, Basic Bank Operations Course, Financial Accounting for Banks, Financial Analysis, Skills Retooling for Claims Operations, and Bank Examination Forum. Through these programs, employees' capabilities to deliver results in the most critical areas of operations were reinforced and enhanced.

Foreign training opportunities were maximized, chiefly by participating in the regional seminars organized by the Asia Pacific Economic Cooperation (APEC) – Financial Regulators Training Initiative (FRTI) through the Asian Development Bank, and the Southeast Asian Central Banks (SEACEN) Research and Training Center. As a member of the APEC-FRTI Advisory Group, the Corporation was actively involved in projects such as the identification of training needs, evaluation of learning activities, and prioritization of training programs to be offered to member-countries in the forthcoming year.

PDIC employees undertook various trainings to enhance their skills and competence in the operations and support functions.

Trainings and seminars were spearheaded to better equip PDIC personnel in the implementation of the Corporation's enhanced authorities.

The groundwork for another major activity, an organizational realignment, was laid down last year in pursuit of directions set by the Corporate Vision and Mission. This move was aimed at establishing an organization where units are more strategically aligned to optimize functional interrelationships and resources.

The organization was divided into six main sectors. Three of these directly serve the basic mandates of the Corporation: deposit insurance, co-regulation through examination and resolution of bank problems, and receivership and liquidation of closed banks. The other three cover the support requirements of PDIC's operations: legal, management, and corporate services. The advocacy function was likewise enhanced through the expansion of the Corporate Affairs Group. The total number of plantilla items for the Corporation remained the same, even as the number of operating units increased.

This restructuring is expected to make the organization more responsive, not only to the ideals of its Vision and Mission, but also to the expanded powers and bigger responsibilities embodied in its new Charter.

It was also in 2009 that the Supplemental Agreement to the Collective Negotiation Agreement (CNA) was signed covering the period June 1, 2009 to May 31, 2012. It maintained the agreements reached in the previous CNA, and provided the framework for the grant of a Collective Negotiation Agreement incentive.

Another milestone in the human resource management was the shift from the conventional chronolog system of monitoring attendance to the biometric fingerscan machine method. This shift was one of the moves envisioned in the transition to a computerized HR information system.

PDIC and Phildiceo signed a supplemental agreement to the Collective Negotiation Agreement (CNA) to cover a three-year period until 2012.

PDIC PROVIDED CRITICAL INFORMATION ON THE LEGACY BANK FAILURES DURING PROBE HEARINGS CONDUCTED BY BOTH THE SENATE AND THE HOUSE OF REPRESENTATIVES.

PDIC senior officers appeared during the Senate and House inquiries to provide critical information on the failure of the Legacy banks.

Legal Affairs

The Corporation filed a total of 16 cases against persons found responsible for commission of fraud, irregularities and anomalies in the Legacy-affiliated banks. Thirteen (13) of these cases are criminal in nature and were filed before the Department of Justice and the Ombudsman.

To hasten the investigation on Legacy banks, PDIC tapped the services of experts to conduct forensic audit on suspected fraudulent, irregular, and anomalous transactions. Results of investigations served as bases for the filing of charges against responsible officers and employees of the Legacy banks.

PDIC also provided critical information on the Legacy bank failures during the public hearings conducted by the House Committee on Banks and jointly by the Senate Committee on Trade and Commerce and the Committee on Banks, Financial Institutions and Currencies. Key officials of the Corporation attended said hearings.

The Corporation co-sponsored with the Philippine Judicial Academy (PhilJA) the conduct of seminar-workshops on deposit insurance; banking practice; and bank conservatorship, receivership and liquidation for the regional trial court judges in the National Capital Region on June 16, 2009 at the Philippine International Convention Center and for the regional trial court judges in the Visayas region on November 24-25, 2009 at the Crown Regency Hotel in Cebu City. As was its aim, the seminar-workshops gave participants a deeper understanding of deposit insurance, unsafe and unsound banking practices, fraudulent schemes, difference between bank conservatorship and receivership and liquidation, and the issues in the application of the Anti-Money Laundering Act, as amended.

Both seminars were well-attended and have gained good reviews from the participants who called for the conduct of the seminar-workshop in other parts of the country as well.

Information Technology

Two major projects commenced in 2009 designed to improve efficiency through technology. These were the Electronic Filing, Archiving and Retrieval System or EFARS and the Integrated Financial System (IFS).

In December 2009, PDIC entered into an agreement with Total Information Management (TIM) to develop a document management system called EFARS. This was aimed at enhancing the operational efficiency of the Corporation to better serve the public through an organized and systematic information system. The project covers system customization, conversion and migration of digitized documents into the system, and scanning of closed bank documents and records.

The Electronic Filing, Archiving and Retrieval Systems or EFARS is aimed at enhancing the Corporation's operational efficiency through an organized and systematic information system.

The PDIC and the Philippine Judicial Academy signed a Memorandum of Understanding to promote a deeper understanding of deposit insurance through the conduct of seminar-workshops for the judicial community.

The EFARS will preserve PDIC's records; hence, its institutional knowledge will be captured and stored into a secure digital repository. It will also manage stored documents through an organized index system that allows for a secured sharing of electronic documents within and outside the office.

The implementation of EFARS will help cut administrative costs, reduce time spent to manage and retrieve documents, and allow fast and secure exchange of information from all levels of the organization. The EFARS is targeted for full operation by April 2010.

The Corporation laid the groundwork for the implementation of a two-phased Integrated Financial System (IFS) that will replace the Corporation's existing system for efficiency. The first phase, scheduled for implementation in December 2010, shall include the acquisition, customization and implementation of a Financial Accounting System (FAS) and the Treasury and Investment Management System (TIMS). The second phase will link the FAS and TIMS with the other information management system requirements of the PDIC such as budget, human resource, procurement, fixed assets, and supplies inventory.

PUBLIC ASSISTANCE

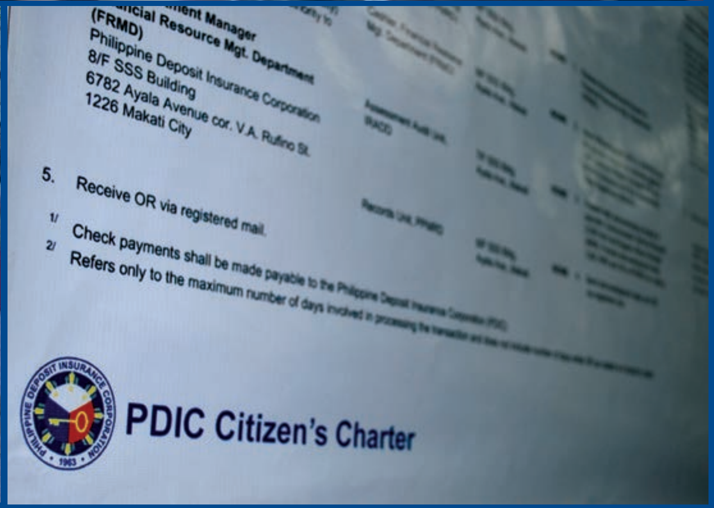
The Corporation continued to provide depositor assistance during bank takeovers and claims settlement operations through its quick response action unit, the Depositors Assistance Bureau. The Bureau assists depositors by quickly responding to their concerns and queries made through phone calls, e-mails and letters. A HelpDesk is also stationed to assist walk-in depositors at the PDIC main office. Inquiries and complaints are aged and tracked through a monitoring system to better assist depositors as well as to improve operations.

The large number of depositors in closed banks from the Legacy closures in 2008 and the 31 bank failures in 2009, coupled with PDIC's increased public accessibility brought total inquiries received and serviced to 60,291 in 2009. This represented a tremendous 1,118% increase over last year's level of 4,948. Inquiries were either through personal visits, phone calls, e-mails or letters.

The Corporation holds Depositors Forums during bank takeovers to address depositors concerns. The conduct of said Forums for all closed banks was institutionalized in 2009 with a directive to hold forums for all bank closures. In previous years, forums were held only upon request by depositors or when there are extraordinary situations surrounding a bank closure. During the Forum, the Corporation's personnel provide information on the filing of claims, respond to depositor queries and distribute claim forms.

The Corporation conducted a total of 67 forums during the year.

During the year, the PDIC Citizen's Charter was likewise formulated. The Citizen's Charter allowed PDIC to comply with the requirements of the Anti-Red Tape Act.



The Call Center and Helpdesk set up during the year helped enhance public accessibility of PDIC.

PDIC conducts Depositors Forum nationwide to assist depositors in understanding procedures in filing deposit insurance claims. In 2009, 67 Depositors Forum were conducted.

ADVOCACY

The Corporation launched a pioneering advocacy on safe and responsible banking called the Be A Wise Saver (BAWS) during the commemoration of the Depositor Protection and Awareness Week in June. The program complements the Corporation's Financial Literacy Program for the youth which was launched in 2005. The BAWS campaign was undertaken in collaboration with the BSP and the four major bank associations namely, the Bankers Association of the Philippines, Chamber of Thrift Banks, Rural Bankers Association of the Philippines, and the Bank Marketing Association of the Philippines, making it the first industry-wide advocacy campaign on responsible banking in the country.

The campaign advocates the practice of the 7 Habits of a Wise Saver aimed at inculcating responsible banking among depositors. The 7 Habits are: 1) Know your bank, 2) Know your bank products, 3) Know your bank's services and fees, 4) Keep your bank records safe and updated, 5) Transact only inside the bank with authorized bank personnel, 6) Be informed about PDIC deposit insurance, and 7) Be cautious.

Promotional materials such as brochures and posters were produced to propagate the 7 Habits of a Wise Saver and distributed through the branch network of PDIC member banks nationwide. Additionally, PDIC organized information roadshows together with its institutional partners. The first roadshow was held at the University of Baguio participated in by banking and finance students from said university as well as from the University of the Cordilleras. More roadshows are lined up in Visayas and Mindanao in the coming year. Print media was also utilized in delivering message of the campaign to the public.

Local government officials and bankers of Baguio City joined the Be a Wise Saver campaign.

PDIC partnered with the BSP and major bank groups in implementing the Be a Wise Saver, the first industry-wide advocacy campaign on responsible banking in the country.

The Be a Wise Saver campaign reached the academic community in Baguio City in December 2009.

INSTITUTIONAL RELATIONS

The PDIC continued to sustain institutional linkages and partnerships, both locally and internationally, to help promote depositor protection and financial stability. It actively participated in consumer education campaigns such as the Economic and Financial Literacy Program of the BSP. The Financial Sector Forum (FSF), an inter-agency organization composed of the PDIC, BSP, Securities and Exchange Commission, and Insurance Commission, promotes information exchange and coordination to address supervisory gaps and enhance oversight of banks and non-bank financial institutions.

In August 2009, PDIC and BSP signed a Memorandum of Agreement to standardize documentary requirements of banks applying for mergers and consolidations and to share information relevant to the evaluation of the viability of proposal of banks for mergers and consolidation. PDIC and BSP agreed on the time frame to complete the evaluation of proposals, harmonize the parameters and documentary requirements for determining the viability of the proposed merger and consolidation, and align post-monitoring requirements.

PDIC President Jose C. Nograles delivers a presentation on "Coverage Limit: The PDIC Experience at the IADI Conference" in the Middle East and North Africa (MENA) Region in Amman, Jordan.


PDIC President Jose C. Nograles and Board Members Rogelio Manalo and J. Antonio Quila in a discussion with Mr. Martin Gruenberg, Chairman of the International Association of Deposit Insurers (IADI).

On the external front, the Corporation continued to strengthen international ties with deposit insurance agencies worldwide through participation in activities and committee memberships in the International Association of Deposit Insurers (IADI). IADI is a non-profit organization based in Basel, Switzerland created in May 2002 to contribute to the stability of financial systems by enhancing the effectiveness of deposit insurance systems worldwide and promoting guidance and international cooperation. PDIC drew lessons from international best practices and shared PDIC experience during said institutional interface.

PDIC, through the President, sits as a member of IADI's policy-making Executive Council. The PDIC President is the current Chairman of the IADI Audit Committee, the first PDIC President to hold chairmanship of an IADI Committee.

In March 2009, IADI Secretary General Donald Inscoe visited the PDIC and was apprised of the latest PDIC initiatives in the area of bank failure resolutions. During IADI's 8th Annual Meeting and Conference held in Basel, Switzerland in September, the PDIC President presented a report on PDIC's initiatives and advocacy programs on depositor protection

THE PDIC CONTINUED TO SUSTAIN INSTITUTIONAL LINKAGES AND PARTNERSHIPS, BOTH LOCALLY AND INTERNATIONALLY, TO HELP PROMOTE DEPOSITOR PROTECTION AND FINANCIAL STABILITY.

and strengthening regulatory framework. He also delivered a presentation on PDIC Coverage Limit: The PDIC Experience in Amman, Jordan in November 2009 in a gathering of senior officials of deposit insurance agencies from the Middle East and North Africa (MENA) Region. In November 2009, the PDIC shared its experience and gained insights from other deposit insurers on claims management and liquidation during the Executive Training Program on Claims held in Kuala Lumpur, Malaysia.

The PDIC likewise attended IADI-sponsored seminars and conferences such as the Claims Management Seminar held in Washington, DC, USA in April and the 7th IADI Asia Regional Committee Annual Meeting and International Conference in Almaty, Kazakhstan in May 2009.

Participation in high level discussion on financial stability as well as international conferences on deposit insurance operations helped contribute to the enhancement of PDIC operations to improve operational efficiency.

The Corporation also played an active role in the Financial Sector Assessment Program (FSAP) undertaken by the International Monetary Fund and World Bank. The assessment was a follow-up on the initial report made by the two multilateral agencies in 2002. During their visit this year, PDIC contributed relevant data and insights on how the regulatory environment can still be further enhanced. The FSAP report reflected the major initiatives undertaken by PDIC to strengthen its regulatory and oversight functions over banks as well as its safeguarding of the DIF.

PDIC continued to link with foreign counterparts through sharing of knowledge and expertise and hosting of official visits and study programs. IADI Secretary General Donald Inscoe visited in March and met with PDIC senior executives on matters of deposit insurance.

FINANCIAL

PERFORMANCE

Assets

Total resources of the Corporation grew by P7.7 billion year-on-year to P150 billion, or 5.4% higher than the P142.3 billion recorded in 2008. The increase in assets was funded by the marked gains in assessment collections from banks, income from investments as well as prudent operating cost management.

Investments

Total investments of the Corporation increased by P18.7 billion or 21% to P107.3 billion due to an increase in available-for-sale investments to P12.3 billion from P555.1 million. The increase in available-for-sale investments is due to PDIC subscription to P12 billion of capital notes issued by a commercial bank through the conversion of its outstanding obligations to PDIC for a financial assistance granted in 2003. Held-to-maturity investments, on the other hand, increased by 4.5% to P91.2 billion.

Combined PDIC- and BSP-managed sinking funds grew by P4.3 billion or 22% year-on-year from P19.5 billion to P23.7 billion mainly due to the transfer of P3.2 billion to beef up a bank's sinking fund and reinvestments of interest collections and accruals. PDIC manages P18.1 billion of sinking funds for payment of PDIC loans from the BSP; the balance is managed by the BSP.

Loans and Receivables

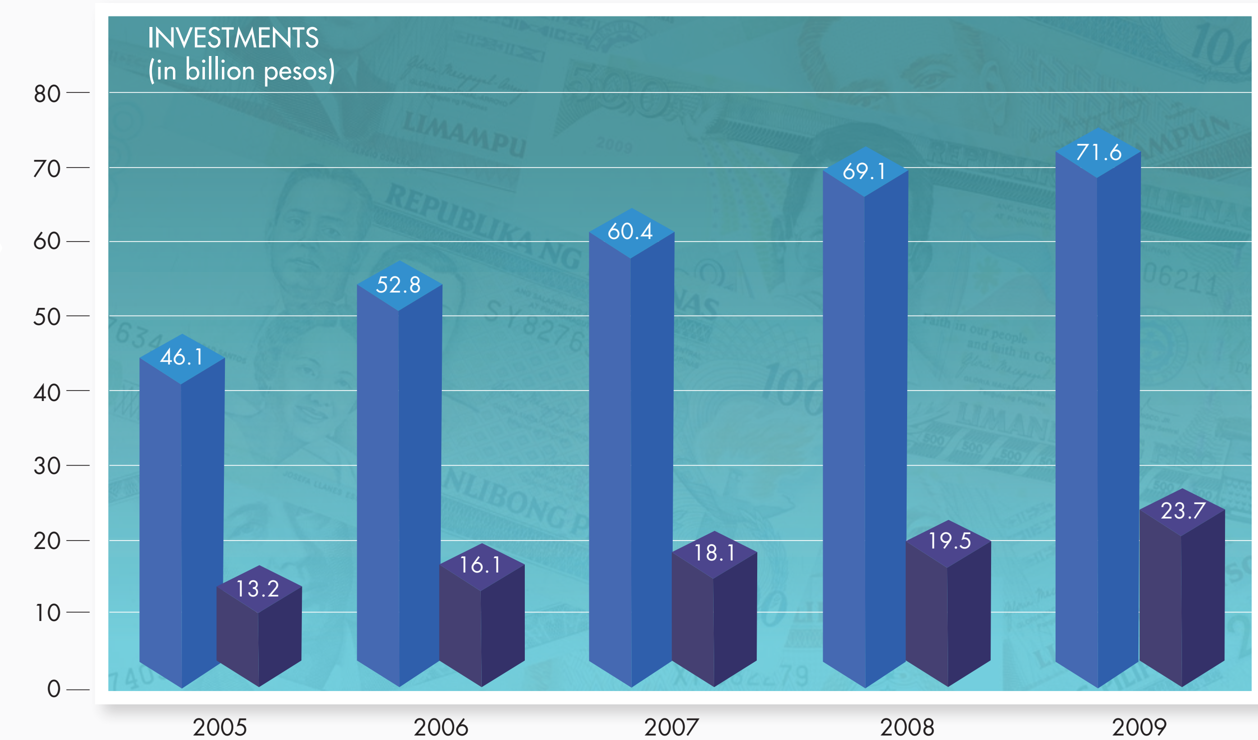
The Corporation's loans and receivables consisted of financial assistance to banks, and subrogated claims and accounts receivable from closed banks. Other receivables include accrued interest receivable from investments and loans, and loans receivables from closed banks.

Loans and receivables eased by P13.1 billion or 27% to P35.5 billion from last year's level of P48.6 billion mainly due to the conversion of a P12 billion loan to a commercial bank into capital notes and the reclassification of P1.9 billion of acquired assets from another assisted bank into other assets.

Net receivables from closed banks amounted to P8.5 billion consisting of (a) subrogated claims receivable representing insured deposit claims paid or validated as of yearend, (b) accounts receivable arising from expenses advanced by the Corporation for conduct of receivership and liquidation functions, and (c) loans receivable from financial assistance to banks that eventually closed.

Subrogated claims receivable amounted to P31.4 billion, higher by P12.2 billion from the previous year's amount. Of the P12.2 billion expansion, P5 billion represented actual deposit insurance payouts for the year and P7.3 billion were accruals for validated claims. Subrogated claims are recoverable from the remaining assets of closed banks after liquidation, if any. With allowance for probable losses rising by almost P12 billion to P24 billion, and subrogated claims assigned to BSP amounting to P3.8 million, net subrogated claims receivables reached P7.3 billion. As of year-end, the average loss on subrogated claims receivables is 77%.

Accounts receivables for receivership and liquidation functions increased by P48.6 million year-on-year to P1.1 billion in 2009 due to new bank closures and spillover of receivership and liquidation of banks closed at the latter part of 2008. On the other hand, loans receivables from financial assistance to banks that eventually closed decreased to P24.6 million from P26.9 million in 2008 due to the recognition of additional P2.3 million in allowance for probable losses.



INVESTMENTS	2005	2006	2007	2008	2009
Regular [1]	46.1	52.8	60.4	69.1	71.6
Sinking Funds	13.2	16.1	18.1	19.5	23.7
Total	59.3	68.9	78.5	88.6	95.3

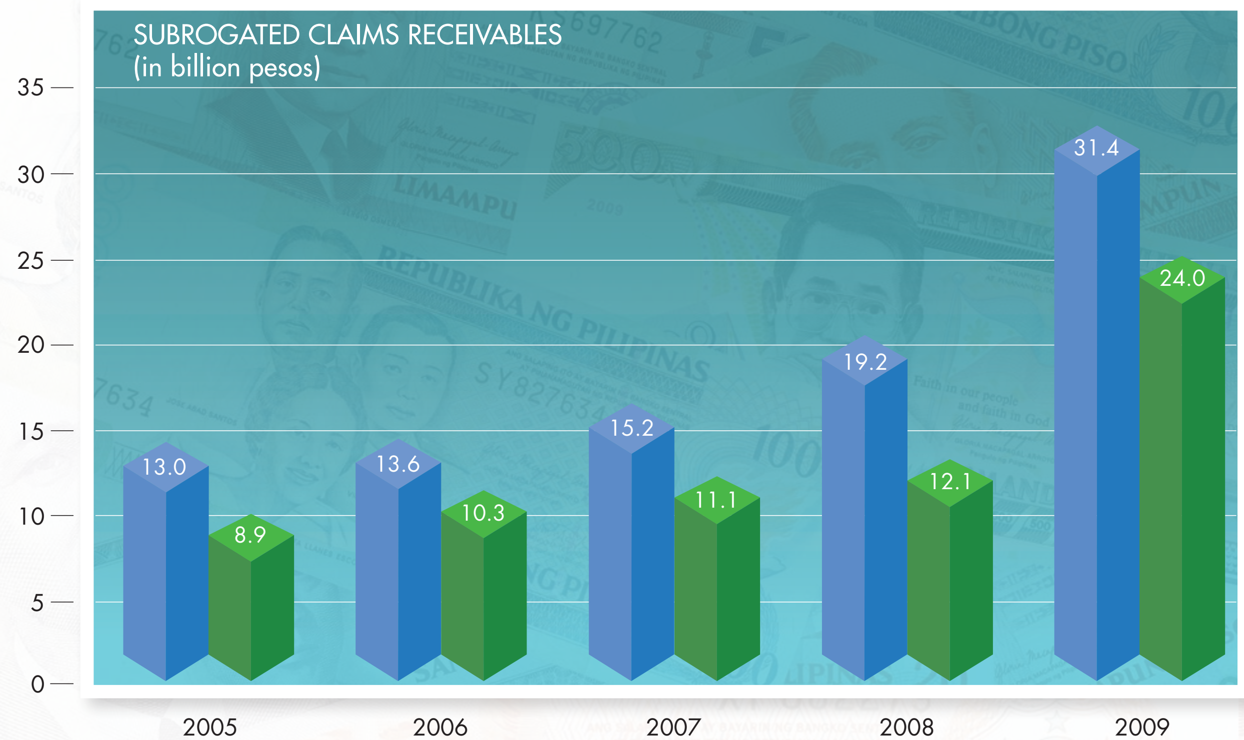
[1] *Excludes equity investment.*

Liabilities

Total liabilities increased by 9.7% to P89.8 billion from P81.9 billion in the previous year due to the booking of insured deposit claims payable amounting to P7.3 billion. These are unpaid but validated insured deposit claims that were accrued by yearend. Accrued interest on loans payable to the BSP reached P9.6 billion.

Deposit Insurance Fund

The DIF slipped by 0.3% to P60.3 billion, from P60.5 billion in the previous year due to a P0.6 billion decline in Reserves for estimated insurance losses brought about by the deposit insurance payouts undertaken during the year. The DIF consisted of the Permanent Insurance Fund of P3.0 billion, Reserves for estimated insurance losses of P54.9 billion, and retained earnings of P2.4 billion.



ACCOUNTS	2005	2006	2007	2008	2009
Subrogated Claims Receivables (SCR) Gross	13.0	13.6	15.2	19.2	31.4
Allowance for Probable Losses on SCR	8.9	10.3	11.1	12.1	24.0
Allowance/SCR	68.8%	73.5%	72.9%	62.8%	76.6%

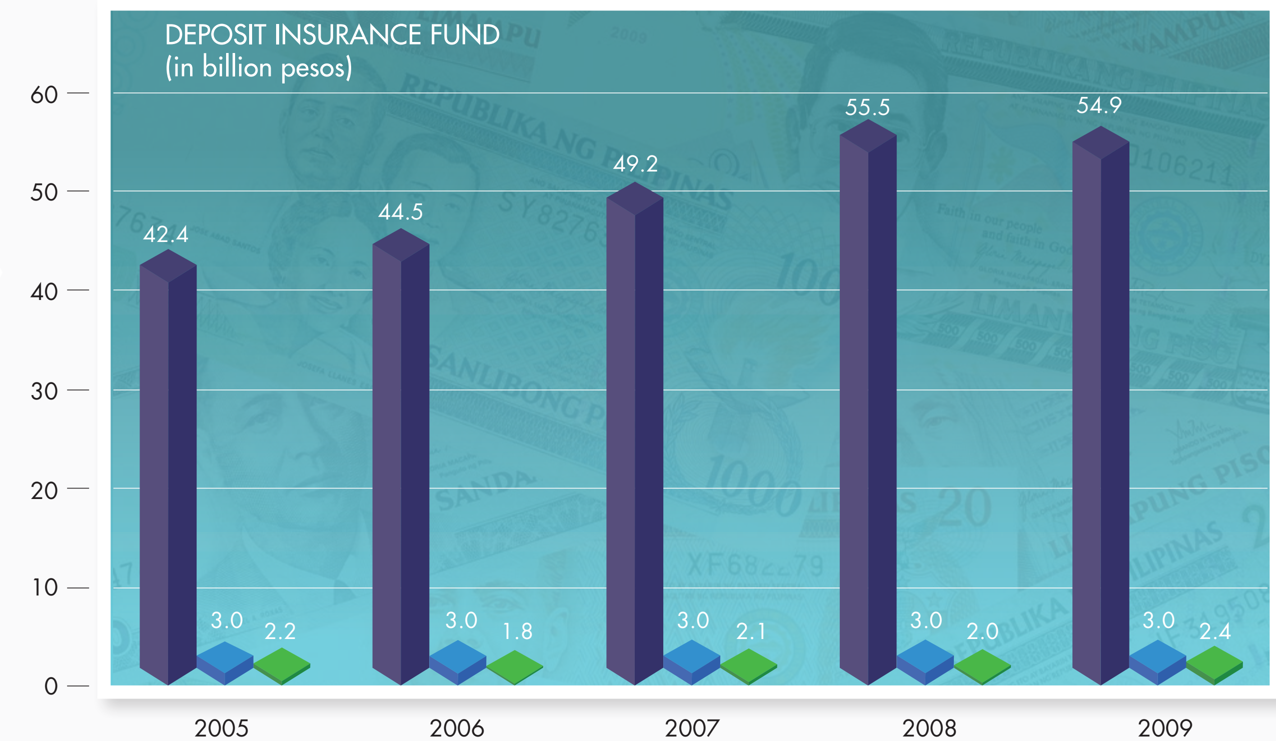
Income

The Corporation posted above-target net income of P402.5 million for the year due to higher assessment income and interest on investments despite considerable payouts and substantial provisions made for insurance and financial assistance losses.

Assessments from member-banks rose 14% to P8.3 billion in 2009 from P7.3 billion in 2008. Similarly, income from investments grew by 14.8% to P6.5 billion from P5.6 billion the previous year.

Dividends to the NG

The Corporation declared P201.2 million in dividends to the National Government in compliance with RA 7656. Of this amount, P200 million has been remitted to the Bureau of the Treasury. The balance of P1.2 million shall be remitted in 2010 after the Commission on Audit has finalized the review of the Corporation's financial records.



COMPONENTS	2005	2006	2007	2008	2009
Reserves for Estimated Insurance Losses	42.4	44.5	49.2	55.5	54.9
Permanent Insurance Fund	3.0	3.0	3.0	3.0	3.0
Retained Earnings	2.2	1.8	2.1	2.0	2.4
Deposit Insurance Fund	47.6	49.3	54.3	60.5	60.3

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR
THE FINANCIAL STATEMENTS

Mr. Jose C. Nograles
President/CEO
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, 2009.

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

We expressed a qualified opinion on the financial statements of the PDIC as shown in the Independent Auditor's Report on the Financial Statements. Moreover, we invite your attention to the Observations and Recommendations as well as the prior year's partially and 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,

COMMISSION ON AUDIT

LUZ LORETO-TOLENTINO
Director IV

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 the Philippine Deposit Insurance Corporation (PDIC), which comprise the statement of condition as at December 31, 2009, and the statement of income and expenses, statement of changes in deposit insurance fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 audit opinion.

Basis for Qualified Opinion

As discussed in item no. 1 of the Observations and Recommendations, Management failed to recognize Impairment Loss on the Corporation's investment with a sequestered bank amounting to P12 billion, as required under PAS 39. Accordingly, total expenses were understated by P12 billion and net income was overstated by the same amount.

Qualified Opinion

In our opinion, except for the effects on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the financial position of the Philippine Deposit Insurance Corporation as at December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

COMMISSION ON AUDIT

HILCONEDA P. ABRIL
Supervising Auditor

21 April 2010

STATEMENT OF CONDITION

December 31, 2009 (In Thousand Pesos)

	Note	2009	2008
ASSETS			
Cash and cash equivalents	3	4,305,796	831,953
Held-to-maturity investments	4	91,169,143	87,224,981
Available-for-sale investments	5	12,335,010	555,130
Loans and receivables	6	35,462,780	48,548,462
Property and equipment	7	182,796	163,450
Intangible assets	8	7,691	9,565
Other assets	9	6,589,683	4,982,979
TOTAL ASSETS		150,052,899	142,316,520
LIABILITIES AND DEPOSIT INSURANCE FUND			
Liabilities			
Accounts payable and other liabilities	10	9,914,072	9,372,845
Insured deposit claims payable	11	7,250,303	-
Loans payable	12	72,629,408	72,481,966
		89,793,783	81,854,811
Deposit Insurance Fund			
Permanent insurance fund		3,000,000	3,000,000
Estimated insurance losses		54,940,973	55,547,973
Retained earnings		2,356,130	1,954,893
Unrealized loss on investments		(37,987)	(41,157)
		60,259,116	60,461,709
TOTAL LIABILITIES AND DEPOSIT INSURANCE FUND		150,052,899	142,316,520

The Notes on pages 54 to 65 form part of these financial statements.

STATEMENT OF INCOME AND EXPENSES

For the Year Ended December 31, 2009 (In Thousand Pesos)

	Note	2009	2008
INCOME			
Assessments	13	8,338,021	7,313,432
Income from investments, net	14	6,484,976	5,647,740
Income from financial assistance	15	497,834	795,215
Other income, net	16	82,571	79,975
TOTAL INCOME		15,403,402	13,836,362
EXPENSES AND CHARGES			
Operating expenses	17	1,538,318	1,527,055
Additions to reserves	18	-	6,350,000
Insurance and financial assistance losses	19	11,371,021	2,794,926
Interest on borrowings	20	2,079,983	2,577,819
TOTAL EXPENSES AND CHARGES		14,989,322	13,249,800
NET INCOME BEFORE TAX		414,080	586,562
Income Tax (MCIT)		(11,606)	(17,506)
NET INCOME AFTER TAX		402,474	569,056

The Notes on pages 54 to 65 form part of these financial statements.

STATEMENT OF CHANGES IN
DEPOSIT INSURANCE FUND

For the Year Ended December 31, 2009 (In Thousand Pesos)

	Note	2009	2008
PERMANENT INSURANCE FUND			
Balance at beginning/end of year		3,000,000	3,000,000
ESTIMATED INSURANCE LOSSES			
Balance at beginning of year		55,547,973	49,197,973
Additions, net	18	(607,000)	6,350,000
Balance at end of year		54,940,973	55,547,973
RETAINED EARNINGS			
Balance at beginning of year		1,954,893	2,069,517
Net income after tax		402,474	569,056
Dividends to the National Government		(201,237)	(284,528)
Corrections for prior years		200,000	(399,152)
Balance at end of year		2,356,130	1,954,893
UNREALIZED LOSS ON AFS INVESTMENTS		(37,987)	(41,157)
DEPOSIT INSURANCE FUND		60,259,116	60,461,709

The Notes on pages 54 to 65 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2009 (In Thousand Pesos)

	Note	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES			
Assessment collections		8,337,961	7,313,296
Income from financial assistance		472,175	870,558
Collections of loans and assets acquired from banks		195,315	781,138
Collections from banks under receivership and liquidation		121,292	66,988
Collections of subrogated claims receivables		77,178	51,538
Dividend, service and miscellaneous income		49,458	54,659
Payment of insured deposits		(5,019,945)	(4,015,858)
Maintenance and other operating expenses		(922,949)	(757,346)
Payment of interest on borrowings		(749,958)	(818,263)
Payment of taxes / income tax deficiencies		(433,782)	(645,441)
Payment of various payables		(228,877)	(569,038)
Payment of cash advances and various receivables		(18,362)	(18,928)
Advances of receivership and liquidation operations		(9,024)	(7,316)
Extension of loans to banks		-	(2,950)
Net cash provided by operating activities		1,870,482	2,303,037
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from matured investments		22,129,387	20,183,680
Income from investments		6,437,914	6,523,205
Placement in various investments		(26,560,088)	(30,956,206)
Cost of purchased property and equipment		(66,764)	(20,269)
Net cash provided by (used in) investing activities		1,940,449	(4,269,590)
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowings from BSP		238,792	2,570,641
Payment of dividends to National Government		(484,528)	(264,627)
Payment of loans to BSP		(91,350)	(23,231)
Net cash provided by (used in) financing activities		(337,086)	2,282,783
NET INCREASE IN CASH AND CASH EQUIVALENTS		3,473,843	316,296
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		831,953	515,657
Effect of Foreign Currency Revaluation		(2)	66
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	4,305,796	831,953

The Notes on pages 54 to 65 form part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

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, 2009, PDIC's total manpower complement is 554 (168 officers and 386 rank and file employees), of which, one is a Presidential appointee, 542 are permanent, 10 are coterminous and one is temporary.

The financial statements have been authorized for issuance by the Board of Directors on February 3, 2010.

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, 2009 are presented in conformity with accounting principles generally accepted in the Philippines set forth in the Philippine Financial Reporting Standards (PFRS) and adoption of the Philippine Accounting Standards (PAS).

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 judgments and estimates

The preparation of the financial statements in accordance with the PFRS, 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 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 represent 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 (ERVA) 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

In accordance with PAS 1, assessment collections, expenses and charges are presented as separate line items in the Statement of Income and Expenses. This slightly differs from previous years' presentation where the balance of assessment collections, net of expenses and charges, are included as part of the Assessment Fund account (a capital account) pursuant to Section 13 of R.A. 3591 as amended by R.A. 9302. This presentation is without prejudice to the position of PDIC that assessment collections are not subject to Value Added Tax (VAT).

Except for the abovementioned change in presentation, 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 income statement 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 statements of 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 income and expenses.

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 Deposit Insurance Fund (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 P977.80 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 P5,000.00 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.

l. Employee benefits

l.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.

l.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.

l.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 (OCR) 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:

	2009	2008
Cash on hand [3.1/]	298	62
Cash in bank [3.2/]	477,140	1,504
Short-term investments [3.3/]	3,828,358	830,387
	4,305,796	831,953

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

	2009	2008
Regular investments	67,331,083	67,702,481
Sinking funds [4.1/]	23,744,821	19,455,919
Legal liability insurance fund [4.2/]	93,239	66,581
	91,169,143	87,224,981

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:

	2009	2008
Equity securities [5.1/]	12,000,000	-
Treasury notes and bonds [5.2/]	335,010	555,130
	12,335,010	555,130

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 P335.01 million in 2009 and P555.13 million in 2008.

6. LOANS AND RECEIVABLES

The following receivables are classified into this account as follows:

	2009	2008
Loans [6.1/]	24,619,835	38,474,532
Receivables - closed banks [6.2/]	8,453,026	8,198,993
Interest receivables [6.3/]	1,388,869	1,670,807
Due from National Government [6.4/]	795,598	-
Other receivables [6.5/]	205,452	204,130
	35,462,780	48,548,462

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 P24.174 billion and ii) purchase of assets with buy-back arrangement amounting to P445.80 million.

6.2 Receivables - closed banks include the following:

	2009	2008
Subrogated claims [a/]	31,386,186	19,204,767
Subrogated claims assigned	(3,762)	(3,762)
Allowance for probable losses	(24,038,468)	(12,064,825)
	7,343,956	7,136,180
AR-receivership and liquidation [b/]	1,096,273	1,045,638
Allowance for probable losses	(11,797)	(9,755)
	1,084,476	1,035,883
Loans receivables-closed banks [c/]	165,026	165,026
Allowance for probable losses	(140,432)	(138,096)
	24,594	26,930
	8,453,026	8,198,993

a. Subrogated claims receivable

This is the balance of insured deposit claims paid by PDIC to depositors of closed banks plus verified/validated claims accrued (Note 11) in accordance with PAS 37. These are recoverable from the remaining assets of these banks upon liquidation. In the year 2009, additions to this account amounted to P12.27 billion consisting of payments amounting to P5.02 billion and accruals totaling P7.25 billion.

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 P1,304,620 in 2009 and P1,408,870 in 2008 and from loans granted to assisted banks of P84,249 in 2009 and P261,937 in 2008.

6.4 This represents final tax on interest on investments in government securities withheld by the Bureau of Treasury, temporarily lodged to this account, pending the issuance of a Revenue Ruling that will serve as guide in the implementation of Sec. 17 (c) of R.A. 3591, as amended. In accordance with this Section, final taxes on investment income are chargeable to the Tax Expenditure Fund (TEF), thus, the above amount shall be refunded by the BTR to PDIC.

6.5 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 2009	173,558	142,941	21,922	21,259	359,680
Additions	2,750	18,145	6,615	37,138	64,648
Disposals/adjustments	-	(1,613)	(1,720)	-	(3,333)
At 31 December 2009	176,308	159,473	26,817	58,397	420,995
Accumulated Depreciation					
At 1 January 2009	82,273	104,077	6,981	2,899	196,230
Depreciation	3,473	12,240	3,036	25,835	44,584
Disposals/adjustments	-	(1,030)	(1,585)	-	(2,615)
At 31 December 2009	85,746	115,287	8,432	28,734	238,199
Net book value					
At 31 December 2009	90,562	44,186	18,385	29,663	182,796
At 31 December 2008	91,285	38,864	14,941	18,360	163,450

7.1 This account includes property located at Chino Roces Avenue, Makati City, with appraised values of P325 million for the land and P117.1 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
2009			
At 1 January 2009	18,302	8,737	9,565
Additions	1,229	-	1,229
Amortization	-	2,833	(2,833)
Disposal / Adjustment	(270)	-	(270)
At 31 December 2009	19,261	11,570	7,691
At 31 December 2008	18,302	8,737	9,565

9. OTHER ASSETS

This account includes the following:

	2009	2008
Assets acquired 9.1/	20,811,216	19,354,463
Allowance for probable losses	(14,373,951)	(14,533,458)
	6,437,265	4,821,005
Acquired assets as payment of receivables from closed banks 9.2/	84,867	90,744
Provident fund - car fund	39,262	39,262
Prepayments 9.3/	8,337	17,261
Guarantee deposits 9.4/	14,072	8,275
Advances to officers and employees 9.5/	2,096	2,827
Inventories		
Office supplies and materials	1,767	1,715
Decals and standees	832	206
Petty cash fund 9.6/	1,185	1,684
	6,589,683	4,982,979

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:

	2009	2008
Interest payable 10.1/	9,640,125	8,648,646
Due to officers and employees 10.2/	126,627	110,361
Accounts payables 10.3/	68,214	42,970
Inter-agency payables 10.4/	51,287	541,200
Other payables 10.5/	27,819	29,668
	9,914,072	9,372,845

10.1 The balance of this account represents interest on loans from the Bangko Sentral ng Pilipinas (BSP), which will be paid in accordance to the terms of the loan agreement (e.g. bullet, annual, etc.).

10.2 Composed of accrued leaves of employees payable upon monetization, retirement or resignation amounting to P116.45 million, and unpaid salaries and benefits such as loyalty pay, overtime, performance incentive, rice benefit and tax refunds to be paid in the succeeding year.

10.3 Refers to the amount due to various suppliers/creditors and unclaimed checks.

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

	2009	2008
PDIC Provident Fund	21,344	30,151
Bureau of Internal Revenue	19,413	217,611
Government Service Insurance System	7,694	7,285
Bureau of Treasury	1,237	284,528
PhilHealth	1,045	1,037
Pag-IBIG	304	302
Bangko Sentral ng Pilipinas	250	286
	51,287	541,200

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 amount of unpaid but validated insured deposit claims representing 83,568 claims and 52,016 accounts, totaling P7.25 billion.

12. LOANS PAYABLE

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

	2009	2008
Financial assistance granted to various banks		
Commercial Banks	65,821,307	65,912,657
Thrift Banks	3,950,865	3,950,865
Rural Banks	2,857,236	2,618,444
	72,629,408	72,481,966

13. ASSESSMENTS

Details of assessments collected from member banks are as follows:

	2009	2008
Commercial Banks	7,326,518	6,336,262
Thrift Banks	796,569	719,241
Rural Banks	214,934	257,929
	8,338,021	7,313,432

14. INCOME FROM INVESTMENTS

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

	2009	2008
Treasury notes/bonds	4,626,269	4,136,449
Sinking funds	1,624,755	1,400,712
Special savings deposit	191,034	62,969
Treasury bills	25,600	28,818
HGC debenture bonds	15,678	17,659
Savings deposit - peso	1,639	1,129
Savings deposit - dollar	1	4
	6,484,976	5,647,740

15. INCOME FROM FINANCIAL ASSISTANCE

The balance of this account refers to interest income totaling P497.83 million in 2009 and P795.21 million in 2008, derived from financial assistance to banks by way of interest bearing direct loans and liquidity assistance.

16. OTHER INCOME

Balance of this account consists of the following:

	2009	2008
Dividend income	31,984	51,612
Service income	24,469	24,077
Miscellaneous income	15,780	4,444
Gain on exchange/ sale of investments	8,734	-
Gain/(Loss) on sale of disposed assets	1,590	(240)
Interest on late payment of assessment	15	17
Gain/(Loss) on foreign currency revaluation	(1)	65
	82,571	79,975

17. OPERATING EXPENSES

This account consists of the following:

	2009	2008
Personal services	747,915	673,919
Maintenance and other operating expenses	790,403	853,136
	1,538,318	1,527,055

The Gender and Development (GAD) expenses amounted to P66 thousand out of the P194 thousand budget for 2009. These were incurred for GAD Orientation/Capacity Building, participation in Women Empowerment seminars under the 2009 Department of Finance (DOF) GAD Common Directions and Women's Month celebration.

18. ADDITIONS TO RESERVES

No addition to reserves for insurance losses was charged to income in 2009 while reserves of P6.35 billion were added in 2008.

19. INSURANCE AND FINANCIAL ASSISTANCE LOSSES

Insurance and financial assistance losses consists of the following:

	2009	2008
Deposit claims pay-out expenses 19.1/	11,366,643	954,861
Rehabilitation cost 19.2/	2,336	1,839,240
Receivership and liquidation expenses 19.3/	2,042	825
	11,371,021	2,794,926

19.1 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).

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

19.3 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).

20. INTEREST ON BORROWINGS

This account consists of Interest Expense account totaling P2.08 billion in 2009 and P2.58 billion in 2008 primarily on outstanding loans to BSP used to fund the financial assistance and payout operations of various banks.

21. LEASES

The Corporation leased the premises of the Social Security System at Ayala Avenue, Makati City, which serve as PDIC extension office for P49.34 million in 2009. The lease is renewable annually under certain terms and conditions.

22. CONTINGENT LIABILITIES AND OTHER MATTERS

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

a. Claims for deposit insurance

Seven cases were filed against the Corporation for payment of deposit insurance involving the estimated amount of P27.44 million. In addition, the Corporation, pursuant to Section 10 (c) of the PDIC Charter, initiated actions for judicial determination of deposits against a group of depositors where the claim involved is estimated at P3 million and a complaint for interpleader involving the amount of P250,000.00.

b. Claims of the separated employees

The total estimated claim to which the 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 P1.7 million. 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 involving monetary claims

One case was filed against the Corporation, which involve monetary claims. The case is a claim for payment of broker's fee with damages. The broker's fee is in an amount equivalent to three percent of the purchase price of the property sold at P213.30 million.

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

There are six cases where the Corporation was impleaded as a respondent or defendant, subject matter of which are incapable of pecuniary estimation. Of the six, five 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.

22.2 Estimated insured deposits

As at December 31, 2009, total insured deposits under the P500,000 insurance coverage amounted to P1.41 billion representing 34.52 million accounts. This is equivalent to 30 percent of the total deposits of P4.66 billion in the banking industry.

22.3 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 P905.30 million for contested billings of P908.12 million including interests.

22.4 Banks under receivership and liquidation

There are a total of 523 closed banks as at December 31, 2009 under PDIC receivership and liquidation including the 31 banks that were closed in 2009. The total estimated realizable value of assets (ERVA) and liabilities of the banks amounted to P16.30 billion and P82.37 billion, respectively. This excludes the ERVA of the 12 banks closed in late 2009.

23. RELATED PARTY TRANSACTION

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

24. 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.

24.1 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.

24.2 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 2009	Gross Maximum Exposure 2008
Loans and receivables	6	33,362,562	47,139,592
Available for sale investments			
- equity securities	5	12,000,000	-
Other assets	9	2,096	2,827
Total credit risk exposure		45,364,658	47,142,419

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.

24.3 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 liquidation 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 at December 31, 2009.

	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
Total	7,250,303	273,947	390,672	4,565,093
As at December 31, 2008				
Accounts payable and other liabilities	182,999	39,061	502,139	-
Interest payable	76,414	293,439	241,238	-
Loans payable	-	-	4,000,000	4,653,493
Total	259,413	332,500	4,743,377	4,653,493

	> 5 up to 10 years	> 10 up to 20 years	Over 20 years	Total
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
Total	25,651,224	51,383,370	279,174	89,793,783
As at December 31, 2008				
Accounts payable and other liabilities	-	-	-	724,199
Interest payable	1,460,404	1,940,390	4,636,761	8,648,646
Loans payable	12,241,102	39,375,171	12,212,200	72,481,966
Total	13,701,506	41,315,561	16,848,961	81,854,811

BOARD OF DIRECTORS

Margarito B. Teves[1]
Chairman

Secretary, Department of Finance (DOF)
Governor for the Philippines, World Bank Group (WBG)
Governor for the Philippines, Asian Development Bank (ADB)
Chairman, Land Bank of the Philippines (LBP)
Chairman, NEDA - Investment Coordination Committee
Former President, LBP
Former Representative, Negros Occidental (3rd District)

Cesar V. Purisima[2]
Chairman

Secretary, DOF
Chairman, LBP
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.

Jose C. Nograles
Vice Chairman

President, Philippine Deposit Insurance Corporation
Member, Executive Council, International Association of Deposit Insurers (IADI)
Chairman, Audit Committee, IADI
Former Senior Executive Vice President, LBP
Former SVP and Treasurer, LBP Treasury and Investment Banking Group
Former Board Vice Chairman and President, Land Bank Insurance Brokerage Inc.

[1]*Until June 30, 2010.*
[2]*Assumed as PDIC Chairman on July 1, 2010.*

Amando M. Tetangco, Jr.
Director

Governor, BSP
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

J. Antonio M. Quila *
Director

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

Jeremias N. Paul, Jr.
Alternate Director

Undersecretary, DOF
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 to BSP Governor

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

**Appointment ended on April 19, 2010*

BOARD COMMITTEES

BOARD AUDIT COMMITTEE

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 in support of sound corporate governance.

(From left to right, top to bottom)
Director J. Antonio M Quila (Chairman); BSP Governor Amando M. Tetangco, Jr. (Member);
Director Rogelio W. Manalo (Member); BSP Deputy Governor Nestor A. Espenilla, Jr. (Alternate to BSP Governor)

RISK MANAGEMENT COMMITTEE

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.

(From left to right, top to bottom)
Director Rogelio W. Manalo (Chairman); Finance Secretary Margarito B. Teves (Member);
Director J. Antonio M Quila (Member); Finance Undersecretary Jeremias N. Paul, Jr. (Alternate to Finance Secretary)

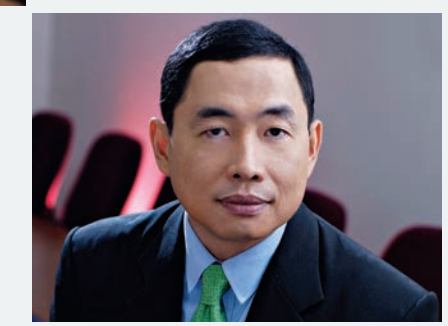
EXECUTIVE COMMITTEE

as of July 1, 2010

Jose C. Nograles
President

Imelda S. Singzon
Executive Vice President
Examination and Resolution Sector

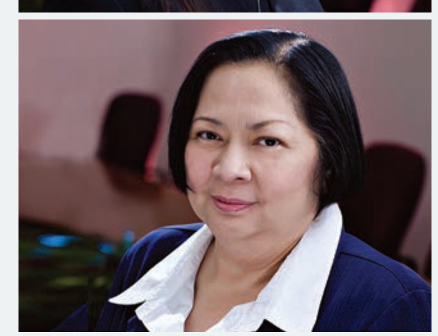
Cristina Q. Orbeta
Executive Vice President
Receivership and Liquidation Sector



Romeo M. Mendoza, Jr.
General Counsel

Sandra A. Diaz
Senior Vice President
Deposit Insurance Sector

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



Alma Teresa R. Malanog
Senior Vice President
Corporate Services Sector

MANAGEMENT COMMITTEE
as of July 1, 2010

OFFICE OF THE PRESIDENT

Jose C. Nograles
President

Maria Leonida Fres-Felix
Vice President
Corporate Affairs Group

Rhodora Gay R. Poliquit
Vice President, Risk Management Office

EXAMINATION & RESOLUTION SECTOR

Imelda S. Singzon
Executive Vice President

Josefina J. Velilla
First Vice President, Resolution Group

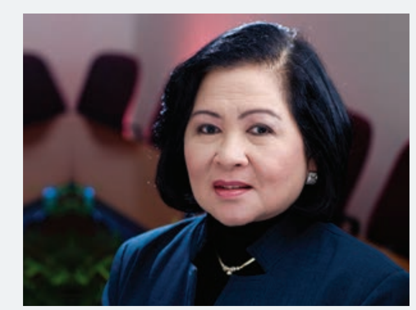
Eden Tita J. Dizon
Vice President, Examination Group 1

RECEIVERSHIP & 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

Sandra A. Diaz
Senior Vice President

Elizabeth E. Oller
First Vice President, Claims Group

DEPOSIT INSURANCE SECTOR

Irene D. Arroyo
Vice President, Treasury Group

Cynthia B. Marcelo
Vice President, Insurance Group

LEGAL AFFAIRS SECTOR

Romeo M. Mendoza Jr.
General Counsel

Ma. Antonette B. Bolivar
First Vice President, Litigation and Investigation Group

Cristine C. Remollo
First Vice President, Legal Services 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

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 July 1, 2010

OFFICE OF THE PRESIDENT

Jose C. Nograles
President

Mary Charlene V. Hernandez
Corporate Executive Officer IV

Ma. Carmen Rosario Z. Recitas
Assistant Department Manager II

Rosalia B. Gallano
Corporate Executive Officer I

Office of the Board Chairman

Rosalia V. De Leon
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

Pilar Y. Ledesma
Executive Assistant IV

Risk Management Office

Rhodora Gay R. Poliquit
Vice President

Internal Audit Group

Internal Audit Department I

Vivencio M. Maniago
Department Manager III

Internal Audit Department II

Fely D. Reyes
Department Manager III

IT Audit Department

Nancy M. Mendoza
Department Manager III

Ludivina P. Carlos
Corporate Executive Officer II

Marilou G. Miranda
Corporate Executive Officer II

Corporate Affairs Group

Maria Leonida Fres-Felix
Vice President

Napoleon P. Micu
Corporate Executive Officer II

Corporate Communications Department

Auramar DO. 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

Josefina R. Fajardo
Assistant Department Manager II

Examination Department II

Marlowe F. Mikin
Department Manager III

Marnie C. Lascano
Corporate Executive Officer II

Dennis Y. Abiera
Corporate Executive Officer II

Examination Group II

Examination Department III

Emma B. Ochosa
Assistant Department Manager II

George Benedict O. Carreon
Corporate Executive Officer II

Examination Department IV

Beatriz R. Angeles
Corporate Executive Officer II

Flordelis M. Datu
Corporate Executive Officer II

Resolution Group

Josefina J. Velilla
First Vice President

Resolution Department I

Josefina F. Songalia
Assistant Department Manager II

Maileen M. Maloles
Corporate Executive Officer II

Ferdinand P. Robes
Corporate Executive Officer II

Resolution Department II

Shirley G. Felix
Assistant Vice President

Elizabeth R. Padolina
Assistant Department Manager II

Examination and Resolution Support Group

Bank Statistics Department

Polo L. Pantaleon, Jr.
Department Manager III

Christopher G. Suguitan
Assistant Department Manager II

Daisy Ann T. Alagos
Corporate Executive Officer II

Examination and Resolution Support Department

Angel B. Obrero
Department Manager III

RECEIVERSHIP AND LIQUIDATION SECTOR

Cristina Q. Orbeta
Executive Vice President

Receivership and Liquidation Group I

Teresita D. Gonzales
Vice President

Receivership and Liquidation Department I-A

Josette Sonia H. Marcilla
Department Manager III

Ana Rosa E. Viray
Corporate Executive Officer II

Receivership and Liquidation Department I-B

Ma. Bernadette R. Sanchez
Department Manager III

Leon C. Cabradilla
Corporate Executive Officer II

Receivership and Liquidation Department I-C

Ferdinand M. Beluan
Department Manager III

Imelda A. Barro
Corporate Executive Officer II

Celia D. Joven
Corporate Executive Officer II

Josefina S. San Pedro
Corporate Executive Officer II

Receivership and Liquidation Department I-D

Ronald C. Angeles
Assistant Department Manager II

Elmer Juan C. Haber
Corporate Executive Officer II

Receivership and Liquidation Group II

Nancy L. Sevilla-Samson
Vice President

Receivership and 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

Receivership and Liquidation Department II-B

Benefico M. Magday
Assistant Vice President

Florante D. Lucos
Corporate Executive Officer II

Rosalina G. Morales
Corporate Executive Officer II

Receivership and Liquidation Department II-C

Teodoro Jose D. Hirang
Assistant Vice President

Fernando S. Boñula
Corporate Executive Officer II

Mary Ann C. Crisostomo
Corporate Executive Officer II

Receivership and Liquidation Department II-D

Democrito L. Bitang
Corporate Executive Officer II

Susana R. Carolino
Corporate Executive Officer II

Asset Management Group

Rosario C. Arnaldo
Vice President

ROPA Management Department

Ma. Jozzene Claire Beltran-Carandang
Corporate Executive Officer II

Lolita M. Lim
Corporate Executive Officer II

Elisa T. Saura
Corporate Executive Officer II

Loans Management Department

Esperanza L. Chingcuangco
Corporate Executive Officer II

Receivership and Liquidation Support Group

Lilian I. Serna
Vice President

Marivic C. Puzon
Corporate Executive Officer II

Data Support Department

Rossana V. Castalla
Department Manager III

Thelma B. Arias
Corporate Executive Officer II

Dorothy C. Eamilao
Corporate Executive Officer II

Emerson M. Lomio
Corporate Executive Officer II

Asset Disposal and Administrative Department

Teresa H. Garcia
Assistant Vice President

Editha D. Tumang
Corporate Executive Officer II

Ariel M. Alcoba
Corporate Executive Officer I

Property Appraisal Department

Recaredo Leighton A. Tamayo
Department Manager III

Minviluz O. Rubrico
Corporate Executive Officer II

LIST OF OFFICERS

DEPOSIT INSURANCE SECTOR

Sandra A. Diaz
Senior Vice President

Claims Group

Elizabeth E. Oller
First 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

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

Marcia Bella C. Ramirez
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

Ma. Lenita I. Floriza
Corporate Executive Officer II

Insurance Support Department

Ma. Theresa B. Salcor
Department Manager III

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 B. Bolivar
First Vice President

Litigation Department

Gilroy V. Billones
Department Manager III

Romel M. Barrera
Assistant Department Manager II

Renato N. Garay
Assistant Department Manager II

Raymond C. De Lemos
Legal Officer V

Mildred J. Marquez
Legal Officer V

Nelson G. Portacio
Legal Officer V

Investigation Department

Manuel C. Tan
Assistant Vice President

Ariston P. Aganon
Legal Officer V

Alexander N. Dojillo
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

Arlene R. Hernando
Legal Officer V

Evangeline Q. De Leon
Legal Officer V

Legal Services Group

Cristine C. Remollo
First Vice President

Shiela Marie P. Roxas
Legal Officer V

Legal Services Department I

Fernando S. Abadilla
Assistant Vice President

Luisito Z. Mendoza
Assistant Department Manager II

Aileen Lou C. Acosta
Legal Officer V

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

Corporate 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 and Systems Department

Cyrus T. Galang
Assistant Department Manager II

Comptrollership Group

Geronimo V. Ambe
Vice President

Accounting Department

Quralene P. Patalinghug
Department Manager III

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

Jose Alex P. Mercado
Assistant Department Manager II

Ibelio B. Retes
Assistant Department Manager II

Hermil P. De Vera
Corporate Executive Officer II

Jose Alexander G. Festin
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

Organizational Development Department

Irmina D. Sicio
Department Manager III

Asuncion S. Calapan
Assistant Department Manager II

Eugene V. Borlongan
Corporate Executive Officer II

Training Institute

Divina F. Cavestany
Department Manager III

Administrative Services Group

Nina Noreen A. Jacinto
Vice President

Procurement and Property Department

Carmelyne D. Reyes
Department Manager III

Ricardo D. Antonio
Corporate Executive Officer I

Victoria P. Blaza
Corporate Executive Officer I

General Services Department

Jesus Ma. Jose L. Borja
Department Manager III

Ernesto R. Torres, Jr.
Corporate Executive Officer II

Hernando L. Catigbe
Corporate Executive Officer I

PDIC ROLL
as of July 1, 2010

A

ABADILLA, FERNANDO S.
ABAN, ALEXIS A.
ABELEDA, SONIA A.
ABENIS, MARIA SALOME C.
ABIERA, DENNIS Y.
ABOGADO, NERILYN O.
ABRIAM, CHERRYL S.
ACERET, EROLYN B.
ACOSTA, AILEEN LOU C.
ACOSTA, ALEJANDRO JR. S.
ACOSTA, BETTINA N.
ACUÑA, MYRAFLOR C.
ADUANA, GERHARDUS C.
AGABAO, LENIN D.
AGANON, ARISTON P.
AGNES, MA. CARIDAD R.
AGUILA, JANET B.
AGUSTIN, JENELYN P.
ALAGOS, DAISY ANN T.
ALARCA, MARY ROSALIND A.
ALCOBA, ARIEL M.
AMBE, GERONIMO V.
AMIGLEO, NOREEN R.
ANDES, JOAN P.
ANDRADA, JOVY R.
ANGELES, BEATRIZ R.
ANGELES, RONALD C.
ANI, JACQUELINE I.
ANTONIO, FLORANTE JR. F.
ANTONIO, MARIA GRACIA N.
ANTONIO, NIÑA M.
ANTONIO, RICARDO D.
APOLINARIO, CELY E.
AQUINO, ERNESTO C.
ARCANGEL, MA. THERESA M.
ARELLANO, ROSITA R.
ARIAS, THELMA B.
ARIZALA, AURA MARINA R.
ARNALDO, ROSARIO C.
ARRIOLA, ROMEO C.
ARROYO, IRENE D.
ASCANO, RHODA R.
ATENDIDO, JOCELYN A.
ATIBULA, KENNETH T.
AURE, OLIVER A.
AURELIA, EDZEL D.
AUSTRIA, ARLENE C.
AUSTRIA, RHEA S.
AVECILLA, AUGUSTO R.
AYRAN, JUNNIFER P.

B

BACSAL, DIONISIA E.
BADILLO, ROSA MARIA V.
BAGAPORO, MA. CRISTINA T.
BAGNES, LYN D.
BAGUIO, GODOFREDA P.
BALASABAS, MARILOU M.
BALLERAS, DODGE D.
BALTAZAR, MA. PAZ V.
BANDOY, ISRAEL A.
BARRAL, ROSALIE F.
BARRERA, ROMEL M.
BARRIL, ROSENDA L.
BARRO, IMELDA A.
BATAAN, LIZ D.
BATAC, ARACELI F.
BATALLA, ALLAN PAUL G.
BATALLA, MA. RAFAELA T.
BAUTISTA, GRACE V.
BAYLON, JOSIELYN S.
BELLO, SHERWIN Z.
BELLO, VIRGINIA D.
BELTRAN-CARANDANG, MA. JOZZENE CLAIRE
BELUAN, FERDINAND M.
BENDANA, JOSE A.
BILLONES, GILROY V.
BITANG, DEMOCRITO L.
BLAZA, VICTORIA P.
BOLIVAR, MA. ANTONETTE B.
BONULA, FERNANDO S.
BOONE, ANICETA A.
BORJA, JESUS MA. JOSE L.
BORJAL, ROLLY C.
BORLONGAN, EUGENE V.
BUENO, PRINCESS L.
BUGAYONG, DANILO B.
BUIQUIL, RENE C.
BUISING, MARYMER D.
BULONG, JOSEPH S.
BUNA, LANIE A.
BUNDALIAN, GLENDA G.

C

CABA, PHEDILYN R.
CABALATUNGAN, MILAJOY C.
CABRADILLA, LEON C.
CADERAO, MARDONIO C.
CALAPAN, ASUNCION S.
CALBARIO, AURAMAR DO.
CALLEJA, MA. EVANGELINE P.
CALLEJA, THELMA C.
CALUB, MARILOU D.
CALVEZ, VILMA Y.
CANAPI, LAARNI L.
CAÑAVERAL, MERLIE M.
CANELA, ENRICO R.
CAPUNO, JAIME C.
CARAIG, MYRNA C.
CARBONELL, GEODERICK E.
CARENG, JUANA L.
CARLOS, LUDIVINA P.
CAROLINO, SUSANA R.
CARREON, AILEEN B.
CARREON, DELIA A.
CARREON, GEORGE BENEDICT O.
CARREON, LUISITO M.
CARREON, MARK JUMBOE KING N.
CARVAJAL, JOSEPHINE M.
CASCOLAN, REGIEREX P.
CASIGURAN, MERLYN F.
CASINO, RONALD S.
CASTALLA, ROSSANA V.
CASTOR, CLEOFE D.
CASTRO, CHARMAINE CHERYL S.
CASTRO, HARRY C.
CASTRO, MA. MARGARITA G.
CASTRO, RUBEN S.
CATIGBE, HERNANDO L.
CAVESTANY, DIVINA F.
CENTINO, OFELIA M.
CHINGCUANGCO, ESPERANZA L.
CIRIACO, MARIE HAZEL V.
COLLO, NINA JESUSITA P.
COMON, BERNADETTE P.
CONCEPCION, DENNIS H.
CONGE, ANASTACIO T.
CONGE, MA. TERESA D.
CORDERO, RUBEN C.
CORNISTA, ELMER R.
CORNISTA, MONINA J.
CORONA, ENRICO C.
CORTES, JACINTO C.
CORTEZ, ENRIQUE M.
COSTA, HENRY A.
CRISOSTOMO, MARY ANN C.
CUISON, MARY CATHERINE Z.
CUNANAN, MA. GUADALUPE V.
CUSTODIO, ANGELITO A.

D

DABI, SANDRA V.
DADAL, ROSELLE MAY R.
DADPAAS, MIRIAM B.
DATINGALING, ESTELITA R.
DATO, CLARENCE E.
DATU, FLORDELIS M.
DATU, MARYLYN I.
DAYOG, LILY F.
DE MESA, MA. LOURDES G.
DE GUZMAN-BASANES, CAREY F.
DE JESUS, MENARD B.
DE LEMOS, RAYMOND C.
DE LEON, EVANGELINE Q.
DE LEON, JOAN S.
DE LEON, RAFAEL D.
DE LEON, ROSALIA V.
DE SILVA, DEBORAH C.
DE VERA, HERMIL P.
DECENA, MARIVIC R.
DEL ROSARIO, ALEJANDRO S.
DELA CRUZ, AMAVI Y.
DELA CRUZ, EMELINA M.
DELA CRUZ, JOFREY B.
DELA CRUZ, RICHARD O.
DELA PENA, MAXIMO JR. C.
DELA ROSA, FRANKLIN M.
DELLOSA, CLARINDA C.
DELLOSA, MARK ANTHONY L.
DELOS REYES, NOEL Q.
DETICIO, ELAINE B.
DEVEZA, IDA R.
DIAZ, SANDRA A.
DILOY, MARY ANN D.
DIONISIO, VERONICA D.
DIVINO, DANILO P.
DIZON, CARLYLE G.
DIZON, EDEN TITA J.
DIZON, FRANCISCO N.
DIZON, ROSARIO E.
DOJILLO, ALEXANDER N.
DRILON, LUDOVINA V.
DULALIA, ROGELIO JR. P.
DUMAGPI, CYNTHIA S.
DUMALAGAN, DORAM T.
DUMBRIQUE, DAHLIA E.
DURANA, EUNICE L.

E

EAMILAO, DOROTHY C.
ELEDA, GLENDA A.
ENRICO, MELANIE L.
ENRIQUEZ, REMEL R.
ESCARAN, ABIGAIL B.
ESCOBAR, MA. CORAZON J.
ESTANISLAO, VIRGILIO C.
ESTEVES, CHERRYLYN L.
ESTORES, GILDA T.
EUGENIO, LEAH P.

F

FAJARDO, JOSEFINA R.
FAMULARCANO, MAELYN S.
FAROFALDANE, THELMA C.
FAUNE, LYNN N.
FELIX, SHIRLEY G.
FELIX, YASMIN CORAZON B.
FERNANDEZ, MADELAINE BARBARA M.
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VALLADO, SUSAN VICTORIA P.
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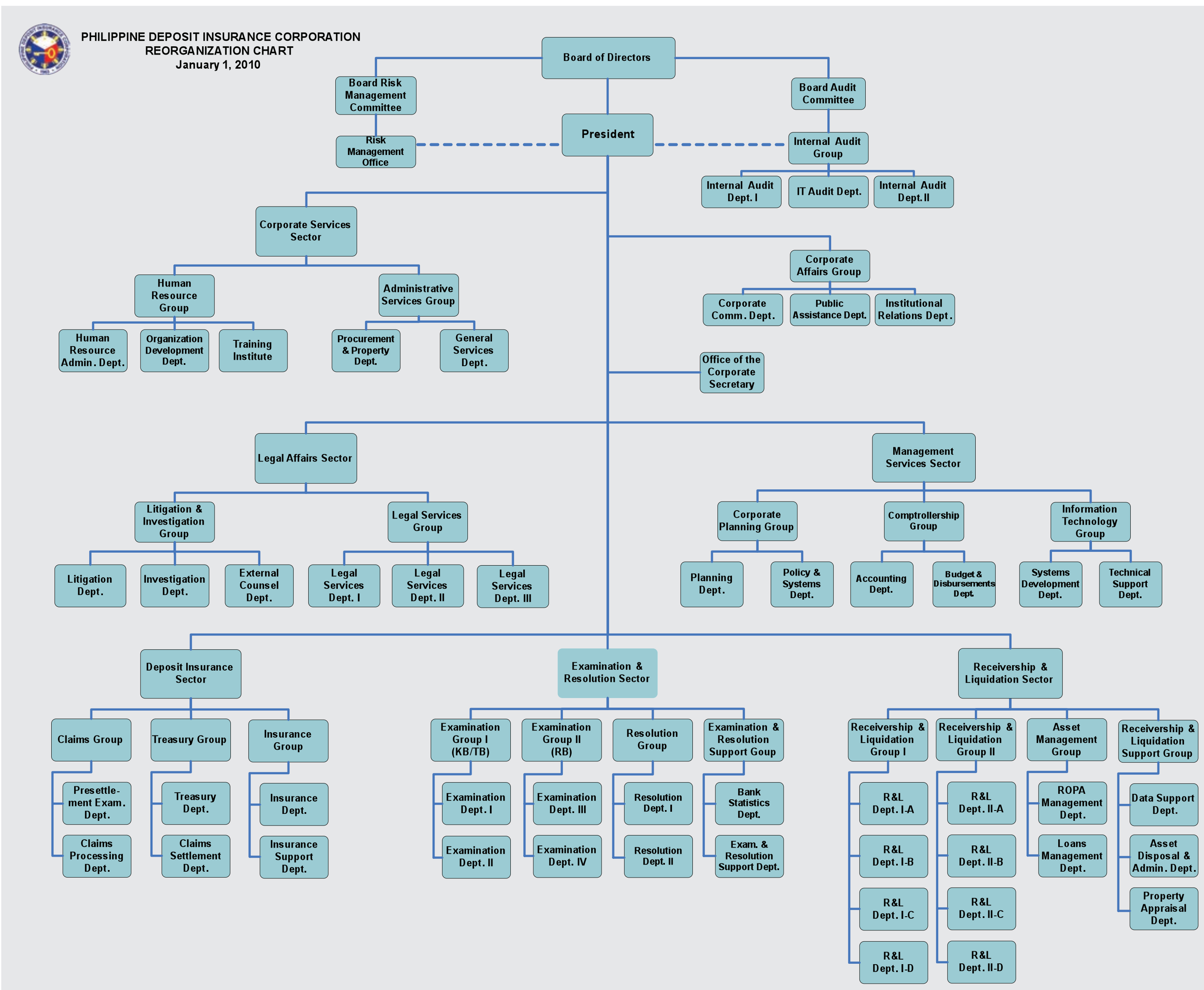
ORGANIZATIONAL CHART

effective January 1, 2010



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