



***Strengthening***  
the Building Blocks of Depositor Protection

2007 Annual Report  
Philippine Deposit Insurance Corporation

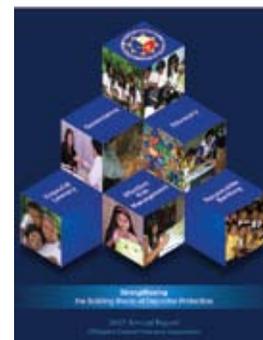
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## Our Cover

### Strengthening the Building Blocks of Depositor Protection

In 2007, the accomplishments of the Philippine Deposit Insurance Corporation (PDIC) focused on institutional strengthening that further reinforced the building blocks for depositor protection. *Good Governance, Effective Risk Management, Advocacies on Financial Literacy and Responsible Banking* are PDIC's cornerstones in helping create a more robust banking system.





## Mission

We, as Deposit Insurer, Statutory Receiver and Co-Regulator of Banks, safeguard the interests of the depositing public and thereby contribute to the promotion of financial stability in the economy.

## Vision

We will be a global leader 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

*August 2008*

*HER EXCELLENCY*

**PRESIDENT GLORIA MACAPAGAL-ARROYO**

Malacañan Palace, Manila

Through : **Honorable MARGARITO B. TEVES**  
Secretary, Department of Finance  
Chairman, PDIC Board of Directors

Dear Madame President:

I have the honor to present the Annual Report of the Philippine Deposit Insurance Corporation (PDIC) for the year 2007. The Report chronicles PDIC's accomplishments as it strives to become a global leader in depositor protection.

On behalf of the PDIC Board of Directors, management and staff, I convey our gratitude to Her Excellency for her support as we commit to safeguard the interest of the depositing public.

Very truly yours,



## PHILIPPINE DEPOSIT INSURANCE CORPORATION

**JOSE C. NOGRALES**

President

*August 2008*

**Honorable MANUEL B. VILLAR**

President of the Philippine Senate

**Honorable PROSPERO C. NOGRALES**

Speaker of the House of Representatives

Through : **Honorable MARGARITO B. TEVES**  
Secretary, Department of Finance  
Chairman, PDIC Board of Directors

Gentlemen:

I have the honor to submit the Annual Report of the Philippine Deposit Insurance Corporation (PDIC) for the year 2007 pursuant to Section 20 of Republic Act 3591, as amended. The Report features PDIC's accomplishments in its capacities as deposit insurer, statutory receiver, and co-regulator of banks.

On behalf of the PDIC Board of Directors, management, and staff, I thank you for your support as we affirm our commitment to greater depositor protection.

Very truly yours,

The PDIC will further develop the organization's capabilities to prepare itself for benchmarking against international best practices on deposit insurance. One of the Corporation's priorities is ISO certification in the Corporation's business processes.



In 2007, the Philippine Deposit Insurance Corporation (PDIC) remained financially strong and exceeded most of its corporate targets. It likewise elevated efforts for its institutional strengthening initiatives to further improve operations and strengthen the foundations for depositor protection.

I am honored to present PDIC's Annual Report for 2007, which chronicles the accomplishments of the Corporation under the leadership of my predecessor, the late Michael A. Osmeña.

With depositors' welfare in mind, the PDIC further improved claims servicing, achieving a single digit average turn around time (TAT) of 6 days in 13 of the 17 banks closed during the year. The 6-day TAT compared favorably with the 7-day TAT in 2006. The TAT is the number of days from date of bank takeover to start of payout. Total funds released for claims servicing amounted to P1.1 billion in 2007.

As Liquidator of closed banks, the Corporation completed 92 final projects of distribution (FPODs), and filed 80 FPODs with the liquidation courts. The 80 FPODs is more than double last year's level of 31. Meanwhile, 53 court-approved FPODs are being

implemented, with a total of P5.5 billion in cash, and P3.0 billion in assets distributed to creditors of closed banks.

The PDIC continued to prudentially manage the Deposit Insurance Fund (DIF), sustaining efforts to build it up to ensure fund adequacy for potential insurance calls and financial assistance to distressed banks. As of year-end 2007, the DIF stood at P54.3 billion, higher by 9.9% over P49.4 billion in 2006. The growth was due to higher net income and larger additions to insurance reserves.

PDIC completely divested from the Philippine National Bank (PNB) through the sale via joint public offering of its remaining 54.4 million shares, where it realized P3.2 billion, or a P19-per share gain from par value of P40 per share. The sale of both PDIC and National Government shares marked the government's exit from PNB and the successful rehabilitation of the bank.

As part of PDIC's risk management efforts, and as authorized under its amended Charter, the Corporation jointly examined 19 banks with the Bangko Sentral ng Pilipinas (BSP). The PDIC focused its examination on banks' deposit-taking activities and compliance with its regulatory issuances.

# PRESIDENT'S REPORT

PDIC successfully prosecuted cases filed against two erring bankers who were separately found guilty and sentenced to prison. A total of 14 investigations were also completed, with six cases recommended for filing against bank owners, directors and employees.

In line with the Corporation's advocacy on financial literacy and consumer protection and education, PDIC signed two memoranda of understanding (MOU) with the education sector, one with the Coordinating Council of Private Educational Associations (COCOPEA) and the other one with the Commission on Higher Education (CHED) and the Philippine Council of Deans and Educators in Business (PCDEB). These broadened the PDIC Financial Literacy Project from public high schools to private high schools and colleges. In terms of reach, PDIC's advocacy efforts have benefited a total of 5 million public high school students as of year-end 2007, and is set to benefit an additional 1.8 million private high school and college students next year.

The PDIC also actively conducted financial literacy campaigns for Overseas Filipinos (OFs) and their families thru local roadshows conducted by the BSP and the Overseas Workers' Welfare Administration.

The Corporation continued to strengthen linkages with international deposit insurers and like-minded institutions by sharing expertise and experiences in public awareness and deposit insurance operations in various meetings and conferences. The PDIC was panel reactor on Cross Border Issues: Public Awareness and Consumer Protection Core Elements and Effective Practices during a symposium on cross-border deposit insurance issues held at the Bank for International Settlements in Basel, Switzerland in May; special presenter on the PDIC Financial Literacy Project during the 6th International Association of Deposit Insurers (IADI) Annual Conference and General Meeting held in Malaysia in October; panelist on the Corporation's financial literacy initiatives during the Financial Education Summit held in India in December; and presenter on effective information system as key to sound risk management during the 1<sup>st</sup> IADI Inter-Regional Conference (Europe, Eurasia and Middle East and North Africa) held in Istanbul, Turkey in June.

PDIC heightened its institutional strengthening efforts. Governance structures to support PDIC's mandate were created starting with the institutionalization of committees to facilitate oversight functions. Several committees were constituted, namely the Asset and Liability Management Committee, and Information Technology (IT) Advisory Committee. New corporate guidelines and policies were formulated during the year while existing ones were reviewed and revised in order to streamline operations, adopt best practices, comply with external guidelines or address gaps identified in internal audit reports.

The Corporation started groundwork for the establishment of two important systems, the Enterprise Risk Management (ERM) and Information Security and Management (ISM). The ERM will enable PDIC to identify and manage multiple and cross-enterprise risks, enhance risk response decision and align risk tolerance and strategies while the ISM will help the Corporation to effectively manage information security, ensure the confidentiality, integrity and availability of information assets and minimize information security risks.

During the year, PDIC provided PDIC member-banks an on-line collection facility to ensure convenience, expedite collection of assessments, and enhance the reporting, monitoring and reconciliation system of assessment collections. Further improvements were made to the One Claim System and the Bank Performance Monitoring System to make them more responsive to corporate requirements.

In 2007, the Corporation adopted new reporting standards making its financial statements compliant with the Philippine Financial Reporting Standards (PFRS).

The corporate Vision Statement crafted in 2005 was revisited during the strategic planning workshop attended by members of the Management Committee. As one of the outputs of the strategic planning activity, the Vision Statement was restated to read: "PDIC will be a global leader in depositor protection". The restated Vision Statement became the guiding point for the formulation of the strategic plan for 2008-2010.

## Future Directions

Efforts to improve overall operational and organizational efficiency in fulfilling PDIC's vision of global leadership in depositor protection will be aggressively implemented.

The PDIC will further develop the organization's capabilities to prepare itself for benchmarking against international best practices on deposit insurance. One of the Corporation's priorities is ISO certification in the Corporation's business processes.

Aspiring for global leadership in depositor protection is a daunting task but I am confident that with team spirit, integrity, and professionalism we will look forward to give our depositors world-class public service.



JOSE C. NOGRALES

# Economy and Banking

## I. THE ECONOMIC ENVIRONMENT

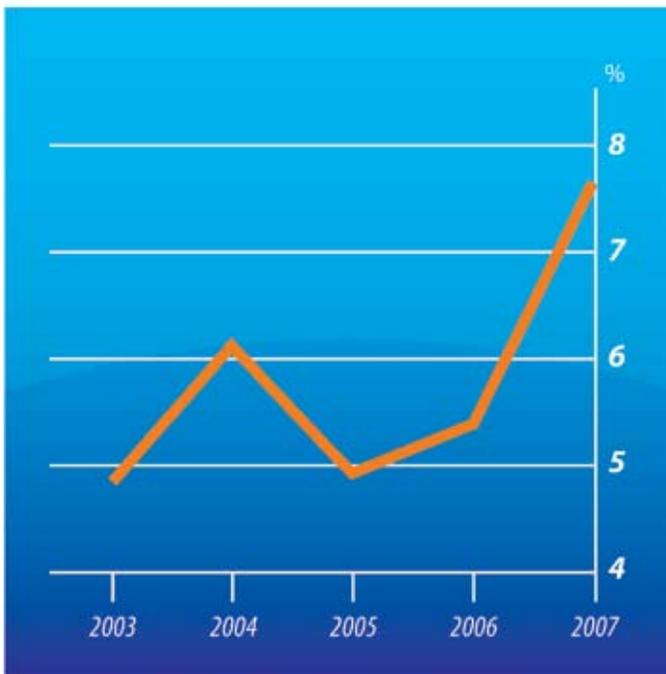
The Philippine economy performed strongly in 2007 registering a 7.3% gross domestic product (GDP) growth rate, the highest in the past three decades. Growth was largely driven by the expansion in the service and industry sectors and the turnaround in the agriculture sector. On the demand side, increased consumption spending and capital accumulation buoyed GDP growth.

As in previous years, production was led by expansion in the service sector, which grew by 8.7% compared to 6.7% in 2006. The industry sector also grew by 6.6% in 2007 from 4.5% as it benefited from renewed investor interest in mining and quarrying following global demand for minerals and precious

metals. Favorable weather conditions during the second semester boosted the agriculture sector growth to 5.1% from 3.8%.

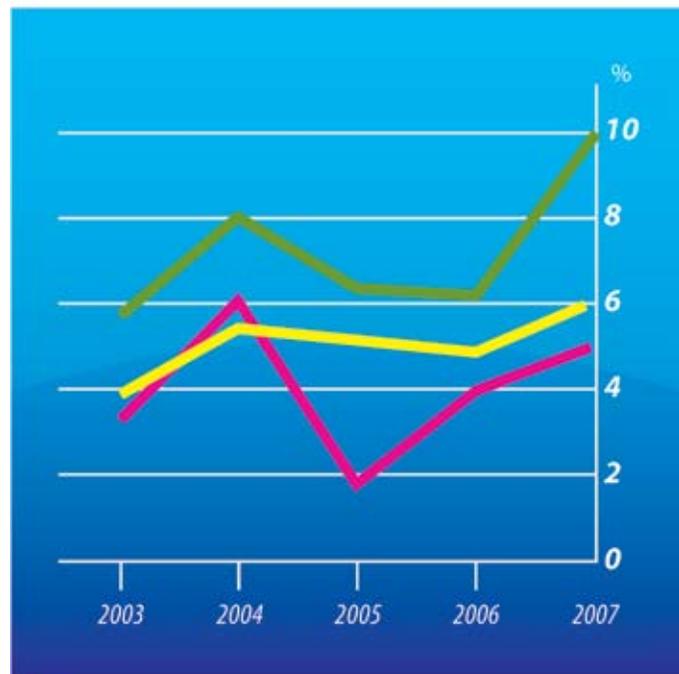
Weak performance of imports and exports was compensated by the significant growth in government consumption and capital formation, and stable personal consumption expenditures. With stronger fiscal position, government expenditures accelerated from 6.1% to 10.0%. More importantly, capital formation grew by 9.3% from 2.7% on higher private real estate developments and government spending on infrastructure projects. Strong inflows of remittances from overseas Filipinos sustained personal consumption spending.

**Real GDP Growth**



Source: National Statistical Coordination Board (NSCB)

**Production Growth by Sector**



■ Agriculture  
■ Industry  
■ Services

Source: NSCB

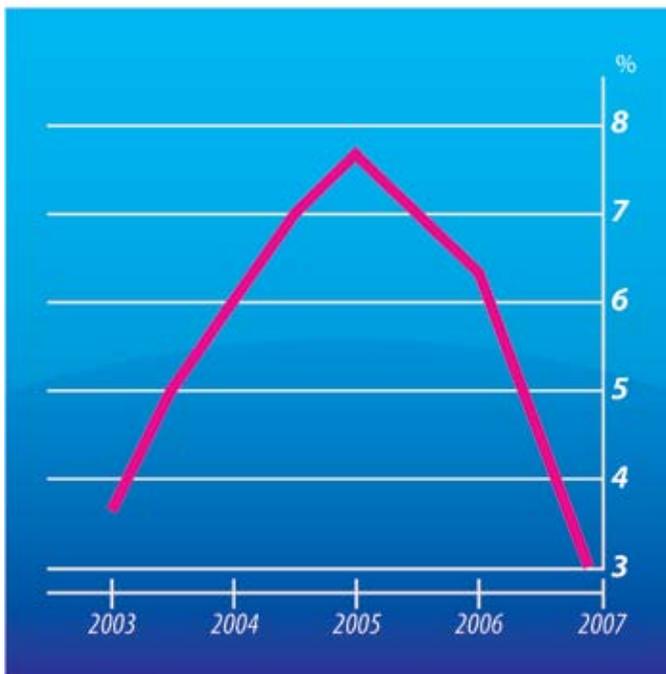
**Table 1. Aggregate Demand Growth, 2006-07**

Selected National Income Accounts	Growth rates	
	2006	2007
Personal Consumption Expenditure	5.5	6.0
Government Consumption	6.1	10.0
Capital Formation	2.7	9.3
Exports	11.2	3.1
Imports	1.9	(5.4)

Source: NSCB

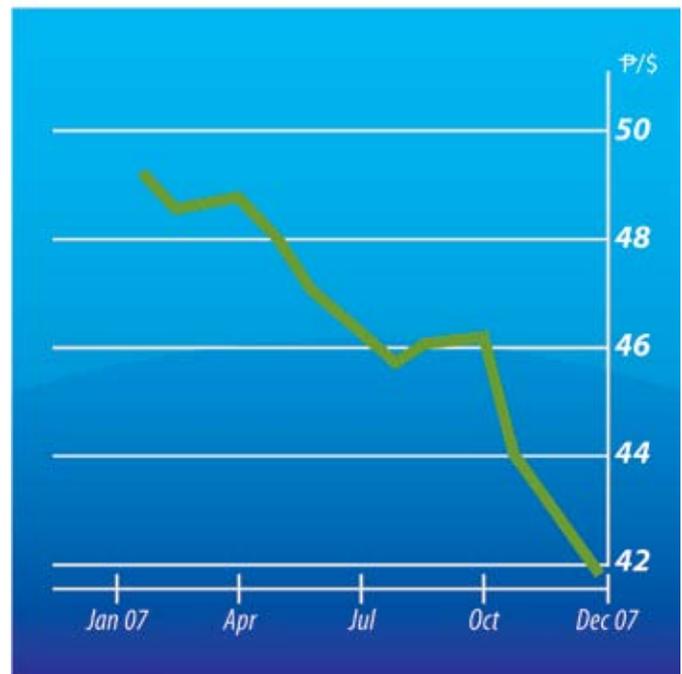
Despite the sharp rise in economic activity, inflation remained under control, averaging 2.8%, significantly lower than the 6.3% recorded in 2006. The peso's appreciation eased some of the inflationary effects of price increases in food and oil towards the latter part of the year. At yearend, the average monthly peso-dollar exchange rate had appreciated by 14.7% to P41.7 from P48.9 at the beginning of the year. The strong peso allowed the Bangko Sentral ng Pilipinas (BSP) to ease money supply growth, which expanded to a high of 26.5% in April 2007 and slowed down to 9.0% in December 2007. To mop up liquidity, the BSP introduced a special deposit account (SDA) facility for banks and government-owned and controlled corporations as an alternative investment outlet.

**Inflation Rate**



Source: BSP

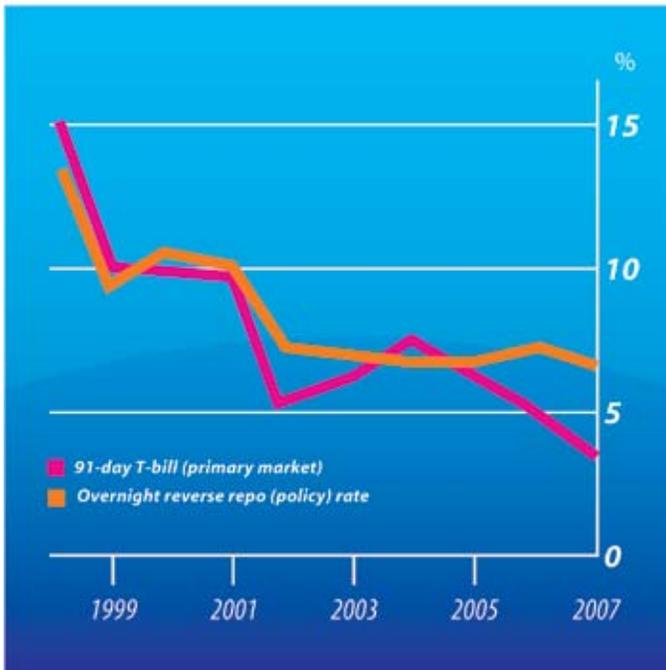
**Average Peso Dollar Rate**



Source: BSP

With consumer prices and liquidity under control, the BSP was able to focus on stimulating credit expansion. Overnight policy rates were cut four times during the year – the overnight borrowing or reverse repurchase rate (RRP) from 7.5% to 5.25% and the overnight lending or repurchase rate (RP) from 9.75% to 7.25%, thus narrowing the interest rate differential with the Treasury bill (T-bill) rate. The reference 91-day T-bill rate also declined from 5.4% to a low of 3.4% during the period.

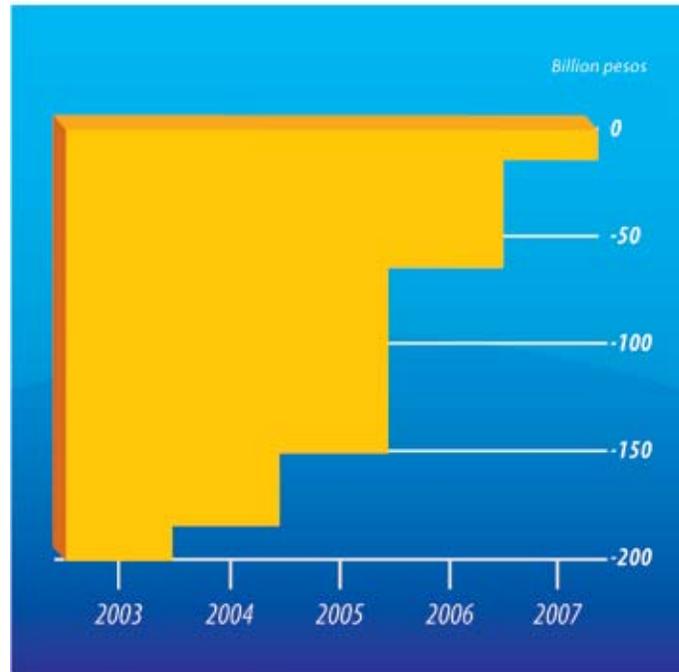
### Interest Rates



Source: BSP

The national government (NG) moved closer to fiscal balance by 2007. Revenue collections reached P1.1 billion from P979 million on account of improved tax and non-tax collections and sale of government assets. Fiscal restraint kept expenditures at P1.15 billion, slightly lower than the target of P1.18 billion. The NG deficit was down to P12.4 billion, significantly lower than the P64.8 billion deficit in 2006.

### NG Fiscal Balance



Source: Bureau of Treasury

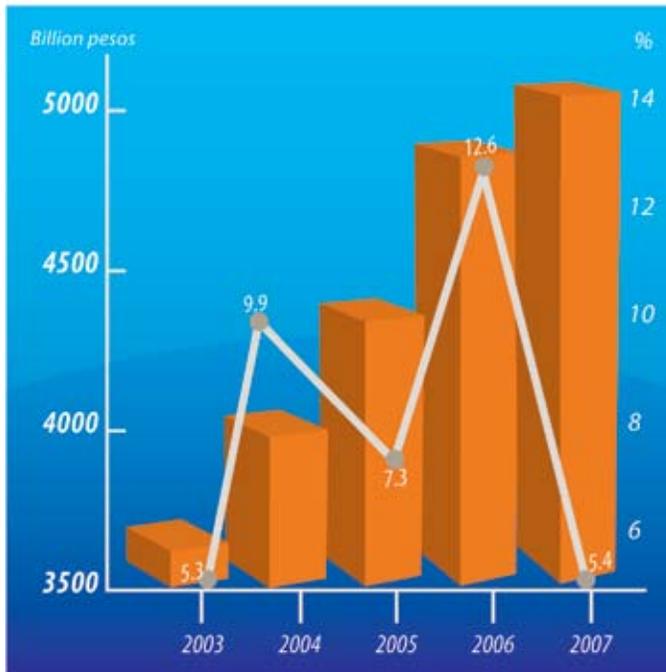
Given global developments, 2008 will be a challenging year for the Philippine economy. The slowdown of the US economy and the problems confronting the US financial system plus the oil and food prices are expected to fetter the country's growth prospects. The government will have to create a favorable macroeconomic environment to sustain growth momentum.

## II. PERFORMANCE OF THE PHILIPPINE BANKING SYSTEM

The strong performance of the Philippine economy provided a positive operating environment that enabled banks to strengthen their balance sheets and build up capital to comply with regulatory requirements for Basel II<sup>1</sup>. Assets grew modestly following the pace of loan origination. Deposits primarily supported asset growth with increased reliance on borrowings as additional funding source.

<sup>1</sup> Revised international capital framework that describes a more comprehensive measure and minimum standard for capital adequacy (BSP Circular No. 538).

### Asset Growth

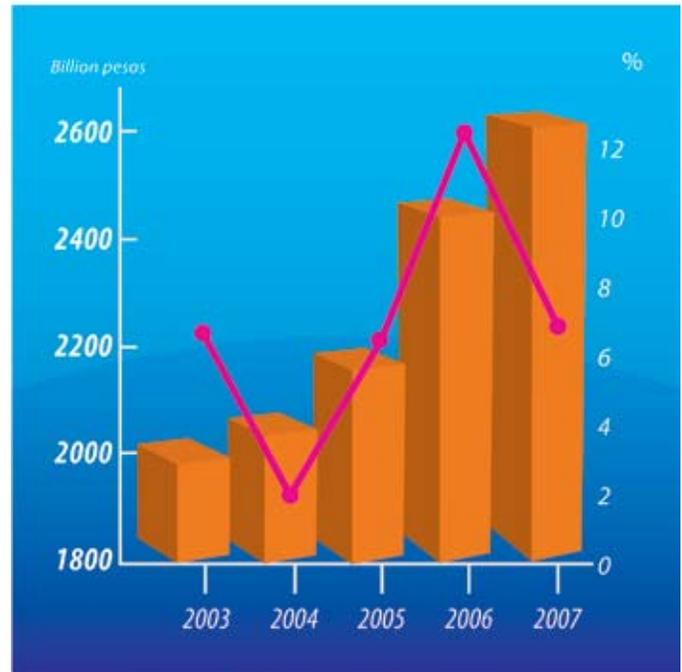


Source: PDIC

Total resources of the banking industry increased by 5.4% from P4.9 trillion to P5.1 trillion in 2007. The growth in gross loans largely accounted for the expansion in total assets. Gross loans grew 6.9% in 2007, albeit slower than 12.7% in 2006. Cash and due from banks, which includes deposits with the BSP, also accounted for asset growth, as banks shifted investments in bonds and other debt instruments to SDAs with the BSP.

Asset expansion was largely supported by deposit growth. Total deposit liabilities increased by 4.8% from P3.5 trillion to P3.7 trillion in 2007, much slower than last year's growth of 17.7%. Deposit generation tapered among commercial and thrift banks, that accounted for 86.7% of total deposits, as depositors shifted to other higher-yielding investments due to decline in interest rates. The lower deposit growth was also partly attributed to the lower peso equivalent of foreign-currency denominated deposits due to the appreciation of the peso.

### Deposit Growth



Source: PDIC

Deposits Deposit Growth

In contrast, bank borrowings rose 7.1% after a contraction of 18.3% last year, indicating that banks resorted to more borrowings to finance expanding banking activities.

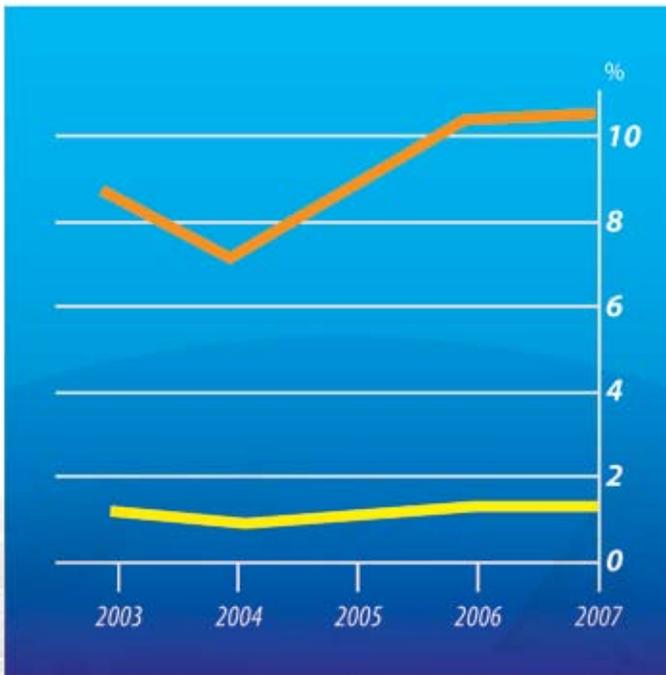
Banks continued to strengthen their capital base to comply with Basel II regulatory requirements. The banking industry's capitalization expanded by 5.0% from P577 billion to P606 billion. Based on the new risk-based framework, the BSP reported that overall capital adequacy ratio (CAR) of banks averaged 14.7% on a solo basis and 15.7% on consolidated basis as of end-September 2007, significantly above the 10% statutory level.

Following disposal of non-performing assets (NPAs)<sup>2</sup> to special purpose vehicles (SPVs) and public auctions, debt write-offs, and joint venture negotiations to beat the May 2008 expiry of the SPV Law, asset quality of the banking system further improved. NPAs were down by 13.5% to P319 billion from P368 billion and NPA ratio improved to 6.1% from 7.3% in 2006.

<sup>2</sup> NPAs consist of non-performing loans and real and other acquired properties.

Profitability of the banking sector was virtually unchanged as return on assets (ROA) stayed at 1.3% and return on equity (ROE) inched up to 10.6% from 10.5% in 2006. The banking sector reported a net income of P63 billion, 8.9% higher than P57 billion in 2006. Net interest income rose due largely to reduced interest expense on deposits. Other operating income, which included income on trading and other fee-based type services, as well as non-operating income also supported net income growth.

### Total Bank Earnings



Return on Equity  
Return on Assets

Source: PDIC

To strengthen capital base and improve competitiveness, a number of banks merged and consolidated while new banks opened to provide additional banking services in the countryside. Bank regulators remained vigilant in ensuring a safe and strong banking system given the increasingly competitive and dynamic banking environment. During the year, 17 banks were ordered closed by the Monetary Board and placed under PDIC receivership. As of December 2007, there were 847 banks operating in the country compared to 862 a year ago.

For 2008, the banking industry is expected to continue the wave of consolidations and face the challenges posed by difficult economic environment. More banks are likely to seek merger and acquisition opportunities. Lending and investments may taper off as banks take a more cautious stance given uncertainties in the local and global economy. Minimal exposure to collateralized debt obligations (CDOs) has spared the domestic banks from the effects of the US sub-prime crisis. However, spillover effects may persist. Nevertheless, given status of the banking system following the reforms undertaken to enhance the policy and regulatory environment, the banking system is expected to remain resilient.

## PHILIPPINE BANKING SYSTEM

Table 2. Selected Balance Sheet Accounts, 2003 – 2007

(In Billion Pesos)

	2003	2004	2005	2006	2007
<i>Asset Accounts</i>					
<b>Total Assets</b>	<b>3,661</b>	<b>4,024</b>	<b>4,318</b>	<b>4,863</b>	<b>5,127</b>
Cash on hand and due from banks <sup>a/</sup>	285	321	386	633	750
Investments <sup>b/</sup>	897	1,151	1,188	1,187	1,149
Gross Loans	1,982	2,024	2,154	2,428	2,596
Real and Other Properties Acquired (ROPA) – Gross	239	248	235	218	199
Non-Performing Loans <sup>c/</sup>	292	263	192	173	146
Non-Performing Assets <sup>d/</sup>	523	497	413	368	319
<i>Liabilities and Capital Accounts</i>					
<b>Total Liabilities</b>	<b>3,182</b>	<b>3,518</b>	<b>3,800</b>	<b>4,286</b>	<b>4,521</b>
Total Deposits	2,469	2,767	2,971	3,498	3,664
Demand	329	363	402	504	590
Savings	1,471	1,495	1,488	1,687	1,657
Time	668	908	1,082	1,307	1,417
Borrowings	382	387	465	380	407
Unsecured Subordinated Debt	35	51	51	76	79
Other Liabilities	251	278	288	313	362
<b>Capital</b>	<b>480</b>	<b>506</b>	<b>518</b>	<b>577</b>	<b>606</b>
Capital Stock	219	227	234	252	273
Surplus	159	159	148	165	172
Surplus Reserves	13	12	12	13	14
Undivided Profits	16	26	30	33	44
Contingent Account	2,506	2,460	2,564	4,245	4,950

Source: PDIC

\* Data are in rounded figures.

## PHILIPPINE BANKING SYSTEM

Table 3. Selected Profit and Loss Accounts, 2003 – 2007

(In Billion Pesos)

	2003	2004	2005	2006	2007
Interest Income	205	243	279	301	306
Interest Expense	102	115	131	146	137
Net Interest Income	103	128	149	155	168
Other Operating Income	71	61	69	91	99
Other Operating Expense	120	133	147	164	185
Provisions for Losses	24	20	23	27	22
Net Operating Income	30	37	48	55	60
Net Income After Tax	40	35	44	58	63

Source: PDIC

<sup>a/</sup> Cash on hand plus COCI plus due from BSP plus due from PCHC plus due from banks<sup>b/</sup> Trading account securities plus available for sale securities plus investment in bonds & other debt instruments<sup>c/</sup> Past due loans plus items in litigation<sup>d/</sup> Non-performing loans plus ROPA, excluding sales contract receivables

# Risk Assessment and Management

## Assessment

Total deposits in Philippine banks stood at P3.7 trillion as of end 2007, up by 4.8% from P3.5 trillion as of end 2006. Of the total deposits, 24.3% or P888.3 billion were within the maximum deposit insurance coverage of P250,000. Insured deposits comprise 29.1 million deposit accounts.

The growth in deposits increased assessment collection by 12% to P7.3 billion from P6.5 billion in 2006. Commercial banks continued to account for the bulk of total assessment collection at 87%, followed by thrift banks with 10%, and rural banks with 3%.

To expedite collection of assessments due semi-annually from member banks and to enhance the reporting, monitoring, and reconciliation system of assessment collections, the PDIC introduced the on-line collection system for assessments in collaboration with Land Bank of the Philippines (LBP). The Memorandum of Agreement (MOA) for the on-line collection system between PDIC and LBP was signed on 31 October 2007. The implementing bulletin was sent to all member banks on 21 December 2007 to disseminate the features of and procedures for the system prior to initial implementation in 2008.

## Deposit Liabilities and Assessment Collection

(Amounts in Billion Pesos)

Bank Type	2007				2006			
	Member Banks	Total Deposits <sup>a/</sup>	Insured Deposits	Assessment Collection <sup>b/</sup>	Member Banks	Total Deposits <sup>a/</sup>	Insured Deposits	Assessment Collection <sup>b/</sup>
KB	38	3,176.2	703.5	6.31	39	3,061.8	684.6	5.71
TB	82	364.6	109.1	0.72	84	332.1	103.5	0.60
RB	727	114.4	75.7	0.22	739	94.2	64.6	0.18
<b>Total</b>	<b>847</b>	<b>3,655.2</b>	<b>888.3</b>	<b>7.25</b>	<b>862</b>	<b>3,488.1</b>	<b>852.7</b>	<b>6.49</b>

<sup>a/</sup> Excludes deposits in overseas branches of Philippine-incorporated banks

<sup>b/</sup> Total assessment collection for the semestral periods ending June and December



PDIC partnered with Land Bank of the Philippines for an efficient on-line assessment collection system.

## Risk Assessment

### A. Offsite Monitoring

The PDIC has an early warning system, the Off-site Bank Rating Model (OBRM) to assess the general state of each member bank, and identify banks-at-risk (BAR) in terms of financial performance and condition.

The OBRM generates periodic risk ratings of banks using their financial statements as submitted to BSP and PDIC, the examination findings of the BSP/PDIC, and information sourced from credit rating agencies.

Early detection of potential bank failures is crucial in the formulation of measures to minimize risks to the Deposit Insurance Fund (DIF) and for liquidity and fund management purposes.

In order to determine the extent of PDIC's exposure to these banks-at-risk, the extent and rate of increase in insured deposits was also considered in prioritizing banks for more in-depth offsite analyses and subsequent onsite examination to be conducted jointly with the BSP. Meetings and discussions between the BSP and the PDIC are also conducted frequently in order to expedite regulatory action that would mitigate risks posed by these banks.

### B. Issuance of Regulatory Issuance (RI) No. 2006-01 on Record Keeping of Bank Deposits

Regulatory Issuance (RI) No. 2006-01 on Record Keeping of Bank Deposits is a landmark regulation issued in August 2006 to promote discipline among banks to adopt a proper system for record keeping of deposit transactions, as well as to facilitate the Corporation's claims and receivership operations in the event of bank closure. The RI requires banks to submit their operations manual on record keeping of bank deposits, features of computerized database, schedule of deposit products and certification of compliance with the RI. In 2007, 95% of banks submitted the required reports. The reports are being evaluated to determine adherence to minimum standards on record keeping.

In order to determine the reasons for non-submission of RI requirements by 24 banks and to provide technical support in the accomplishment of reportorial requirements, the PDIC deployed special audit teams to visit these banks. Of the 24 banks audited, 22 subsequently submitted the requirements, 2 banks did not submit, 1 of which was closed in 2007 while the other has a pending merger application with the BSP.

## Risk Management

### A. Offsite Review

Banks that pose high probability of risk to the DIF are identified and subjected to more comprehensive offsite monitoring and are prioritized for onsite examination. The Offsite Analysis Reports (OAR) on these banks were enhanced in 2007, to include an assessment of compliance with PDIC regulatory issuances, particularly on the submission of deposit record keeping documents and payment of assessment.

### B. Onsite Examination

Nineteen (19) banks were jointly examined by BSP and PDIC in 2007. Pursuant to the MOA for the joint conduct of examination, PDIC focused its examination on the general review of banks' deposit taking activities and their compliance with PDIC regulatory issuances.

As part of the regular monitoring of banks under financial assistance (FA), the Corporation likewise conducted independent examinations on three (3) commercial banks granted FA. Examination procedures addressed the unique circumstances of the examined banks, as well as the specific provisions in their respective FA Agreements. Recommendations were made to address issues identified and findings in the course of implementation of FA agreements.

### C. Mergers, Consolidations and Acquisitions (MCA)

Banks merge, consolidate, or acquire other banks or banking units to pursue expansion plans and strengthen capital. Mergers, consolidations, and acquisitions are subject to the approval of PDIC and BSP. In 2007, PDIC evaluated and approved five proposals for merger and consolidation and three proposals for acquisition of branches.

### D. Countryside Financial Institutions Enhancement Program (CFIEP)

The Countryside Financial Institutions Enhancement Program (CFIEP) is a tripartite program implemented by the BSP, LBP and PDIC, aimed at strengthening the financial institutions in the countryside and improving their long-term sustainability and viability.



The Countryside Financial Institutions (CFI) – Calamity Assistance Program assists calamity-stricken CFIs to continue serving the community.

The BSP, LBP and PDIC each implement a program module under the CFIEP. Module I of the BSP provides incentives to investors infusing capital to countryside financial institutions (CFIs) with existing arrearages with BSP, while Module II of the LBP involves counterpart equity infusion of the LBP to qualified CFIs. The PDIC, under Module III, encourages mergers and acquisitions via a credit facility that provides income spread to the surviving bank. Mergers should involve at least one relatively strong bank and one or more undercapitalized rural bank. The income spread is intended to augment capital of the surviving bank so as to negate the adverse impact of asset write downs.

The PDIC in 2007 released a loan amounting to P47.8 million to provide annual income spread of P1.4 million over six years to a strong bank that absorbed an undercapitalized bank via merger<sup>1</sup>.



The Countryside Financial Institutions Enhancement Program (CFIEP) Merger, Consolidation and Acquisition (MCA) module of PDIC strengthens CFIs and improves their long-term sustainability and viability.

### E. Countryside Financial Institutions-Calamity Assistance Program

PDIC, BSP and LBP signed a MOA in August 2007 to implement an assistance program for calamity-stricken CFIs to allow CFIs to continue serving the banking and financial needs of communities amid difficult conditions. It is also intended to support the rural banking sector.

#### Asset Management

PDIC manages and disposes assets acquired from distressed banks and as settlement of PDIC receivables from closed banks. It undertakes activities and adopts resolution schemes to enhance conversion of acquired assets into liquid investible assets. The acquired assets include loan receivables, real properties, shares of stocks and other assets.

A total of P1.5 billion worth of these assets were resolved in 2007 through compromise settlement and restructuring of loans, liquidation of shares of stocks, and disposal and lease of real properties and other assets. This is 70% higher than the previous year's resolution efforts amounting to P874.9 million.

Loan collections totaled P239.1 million, real property sales reached P807.7 million and liquidation of shares of stock stood at P440.4 million. Aggregate cash collection was at P1.0 billion. This brought cumulative asset recovery level to P9.4 billion from 2002 to 2007 or 29.4% of the P31.8 billion non-performing asset portfolio, which includes additional assets acquired during the year from closed banks.

<sup>1</sup> Banks were merged in July 2003.

# PDIC successfully rehabilitates PNB



PDIC and the National Government exited from the PNB with the sale of their remaining combined shares and with the prepayment to PDIC of PNB's P6.1 billion loan four years ahead of the term.

PDIC successfully concluded the rehabilitation of the Philippine National Bank (PNB) in 2007 when the Corporation and the National Government (NG) sold their remaining combined 12% stake in the bank via public offering, and after PNB prepaid in June 2007 its P6.1 billion loan to PDIC maturing in 2011, four years ahead of scheduled maturity date.

PNB offering of shares to the public signified a strategic exit for the government from PNB. It involved the sale of 71.8 million shares, 17.4 million common shares (3.04%) of the NG and 54.4 million preferred shares (9.48%) of the PDIC.

Together with the sale of the government shares, PNB also issued 89 million primary shares amounting to P5.3 billion to further boost its capital. The sale via joint public offering was crossed at the Philippine Stock Exchange on 1 August 2007 and is in line with the government's efforts to develop the capital market.

The government sold PNB shares at P59 per share, 50% above its par value of P40 per share. Gross proceeds from the sale of the shares amounted to about P1 billion for the NG and P3.2 billion for the PDIC, helping improve the government's fiscal position and PDIC's financial performance, respectively. The joint public offering with PNB was seen as a good exit option as it further underscores the emergence of a stronger bank with capability to access the capital market.

The sale marked the termination of the six-year rehabilitation program of PNB after PDIC granted financial assistance to the bank

in 2001. PNB was then the 5th largest bank in the country. PDIC's financial assistance allowed PNB immediate financial flexibility enabling it to increase capital to well over regulatory requirements and improve non-performing loan (NPL) ratio to more manageable levels. The faithful compliance of all parties to their respective commitments, proper disclosure and prudent monitoring of the bank's financial performance, and professional management team were key to PNB's rehabilitation. The rehabilitation plan upheld implementation of good corporate governance principles and respect for the principle of reasonable burden-sharing among the bank's stakeholders. It involved the appointment of six government representatives to the PNB Board, and gave the Government the authority to appoint the PNB president. With a professional management team prudently overseeing and monitoring the bank's financial performance, PNB sustained its recovery and growth.

It may be recalled that in 2005, the NG and the PDIC sold 186 million shares of stock in PNB under the Joint Sale Agreement (JSA) with the Lucio Tan group (LTG) via public bidding at P43.77 per share. LTG exercised its right to match under the said agreement, and paid the government P8.2 billion, of which PDIC's share amounted to P6.0 billion while that of the NG amounted to P2.2 billion.

PDIC's significant role in the turnaround of PNB is in pursuit of the Corporation's commitment to maintain financial stability in the economy and is consistent with the authority under its Charter to grant financial assistance.

# Receivership and Liquidation

## Bank Closures

As statutory receiver, PDIC took over 17 banks ordered closed by the Monetary Board in 2007 bringing the total number of banks under receivership/liquidation to 467 as of end 2007, consisting of 2 commercial banks, 58 thrift banks, and 407 rural banks.

Name of Bank	Province	Date ordered closed by MB
1. Rural Bank of Cajidiocan (Romblon), Inc.	Romblon	02/08/07
2. Rural Bank of Santol (La Union), Inc.	La Union	02/22/07
3. Area Development Bank, Inc.	Zambales	05/17/07
4. Banco Rural de San Antonio (Sto. Tomas, Pangasinan), Inc.	Pangasinan	05/24/07
5. Excel Rural Bank, Inc.	Batangas	06/07/07
6. New Settlers Bank, Inc. (formerly Rural Bank of Parang)	Maguindanao	06/07/07
7. Rural Bank of General Aguinaldo (Cavite), Inc.	Cavite	08/02/07
8. Rural Bank of San Fernando (Romblon), Inc.	Romblon	08/02/07
9. Maranao Rural Bank (Marawi City, Lanao del Sur), Inc.	Lanao del Sur	08/16/07
10. Sandigan Savings Bank, Inc.	Bulacan	08/24/07
11. Rural Bank of Sebaste (Antique), Inc.	Antique	08/24/07
12. Rural Bank of Laur (Nueva Ecija), Inc.	Nueva Ecija	10/25/07
13. Rural Bank of Sta. Barbara (Pangasinan), Inc.	Pangasinan	11/16/07
14. Rural Bank of Malabon, Inc.	Metro Manila	11/29/07
15. Rural Bank of Milagros (Masbate), Inc.	Masbate	11/29/07
16. Orani Rural Bank (Bataan), Inc.	Bataan	12/06/07
17. Rural Bank of Malilipot (Albay), Inc.	Albay	12/06/07



PDIC, as statutory receiver, took over 17 banks ordered closed by the Monetary Board in 2007.

## Asset Administration and Recovery

The Estimated Realizable Value of Assets (ERVA) of the 467 banks under receivership and liquidation amounted to P14.4 billion as of yearend, increasing by 3% from P13.9 billion in 2006. ERVA is the valuation given to assets of closed banks based on estimated gain or loss given the available information and current status of the assets. Thirty-one percent (31%) of the ERVA represented cash and investment in government securities, 41% in loans and other assets, and 28% in Real and Other Properties Acquired (ROPA) and bank premises/furniture, fixtures and equipment.

Total liabilities of banks under liquidation amounted to P41.6 billion, with P20.3 billion or 49% payable to the government.

Total recoveries from liquidation of banks amounted to P254.6 million during the year. P156.5 million or 61.5% represented loan collections; P57.6 million came from sale of acquired real properties, bank premises and office furniture and equipment; and P40.5 million from collections on other receivables and rental income.

Cash recoveries are held in trust and invested in government securities pending distribution to creditors. As of end 2007, trust funds held by PDIC on behalf of closed banks amounted to P4.5 billion. Earnings from funds held in trust amounted to P332 million for the year.

### ROPA

Disposal of ROPA is undertaken by way of public bidding. In case of failed bidding, PDIC may enter into negotiated sale of assets.

The Corporation, as liquidator, sold a total of 134 real properties and six vehicles of closed banks for a total price of P48.9 million, a 13.7% increase from last year's total sale of P43.0 million. Of the total sale in 2007, P16.2 million came from proceeds of public bidding, and P32.7 million through negotiated sale. The proceeds from the negotiated sale during the year were higher by 27.6% from last year's level of P25.6 million.

### Asset Distribution

PDIC achieved zero-backlog in FPOD preparation for banks under liquidation as of 2003<sup>1</sup>, a first since the Corporation assumed receivership/liquidation function in 1992. Completed FPODs which are allocation plans of closed banks' assets for distribution to creditors numbered 92 during the year. Thirty-three of the 92 FPODs were filed with the liquidation courts in 2007. This brought the total number of FPODs filed with the liquidation courts in 2007 to 80, more than double last year's level of 31. The immediate completion of FPODs not only facilitates recovery of PDIC's subrogated claims but also directly benefits the closed bank's creditors and uninsured depositors.

As of 2007, 53 court-approved FPODs were being implemented, 13 of which were approved by the liquidation courts during the year. A total of P5.5 billion in cash, and P3.0 billion in assets have so far been distributed to creditors of closed banks.

### Asset Distribution

(Amounts in Million Pesos)

	For the year 2007	As of Year-End 2007
Distribution of Assets approved by the liquidation court (cash and non-cash)	289.45	8,782.53
Breakdown of distribution:		
R/L Expenses	29.16*	301.96
Trust Accounts	3.08*	79.38
Liquidating and Surplus Dividends Distributed/Paid to the following agencies:	135.49*	8,087.11
Due to National Government-Bureau of Treasury / Bureau of Internal Revenue / Asset Privatization Trust	-	2,623.01
Philippine Deposit Insurance Corporation (PDIC)	116.97	987.14
Bangko Sentral ng Pilipinas (BSP)	12.76	662.07
Central Bank-Board of Liquidators (CB-BOL)	-	3,523.15
Others	5.75	291.75
Balance for Distribution	121.72	314.08
<b>Total</b>	<b>289.45</b>	<b>8,782.53</b>

**Note:** A total of P193.96 million was posted as payments to creditors during the year, P167.72 million\* of which came from closed banks whose PODs were approved by liquidation courts during 2007.

<sup>1</sup> Except for eight (8) banks with legal impediments.

# PDIC rehabilitates closed cooperative bank



The rehabilitation of the closed Cooperative Rural Bank of Misamis Occidental (now Misamis Occidental Cooperative Bank) is the first successful rehabilitation of a closed cooperative bank.

PDIC turned over the closed Cooperative Rural Bank of Misamis Occidental, Inc. to the bank's rehabilitation committee on January 8, 2007, following three years of negotiation. It re-opened to the public on April 17, 2007.

This is the first successful rehabilitation of a closed cooperative bank. The bank now known as Misamis Occidental Cooperative Bank (MOCB) was ordered closed by the Monetary Board (MB) on February 20, 2003.

The rehabilitation of MOCB which was approved by the MB on August 26, 2004 is a testament to the commitment of government financial regulators to strengthen public confidence in the stability of the banking system, as well as to support the best interests of the rural economy.

Plans for the rehabilitation of the closed bank started a month after the bank's closure where investors, composed of cooperatives and a cooperative rural bank, signified intention to undertake the rehabilitation of the closed bank. The rehabilitation required the infusion of fresh capital in the amount of P12.4 million, among others. Individual investors who were all depositors of the closed bank also agreed to convert their uninsured deposit liabilities in the amount of P8.8 million into equity.

The rehabilitation of the closed Cooperative Rural Bank of Misamis Occidental was guided by the principle of reasonable burden sharing among the bank's stakeholders namely: shareholders, strategic third party investors, depositors/creditors, and government. The investors were the Cooperative Rural Bank of Misamis Oriental, Inc.; together with the coalition of cooperatives, namely, First Community Cooperative; Philippine Federation of Credit Cooperatives; DMPI Employees' Credit Cooperative; DMPI Employees' Consumer Cooperative; Paglaum Multi Purpose Cooperative; Oro Integrated Cooperative; Clarin National High School FMPC; and Del Monte Philippines, Inc. Employees' Agrarian Reform Beneficiaries Cooperative.



# Claims Servicing



PDIC paid 90.9% of total deposit accounts filed for banks closed in 2007.

PDIC sustained the single-digit turnaround time (TAT) in servicing deposit claims for thirteen (13) out of seventeen (17) banks ordered closed by the Monetary Board. These 17 banks had a total of 40 banking units. The TAT is the start of payout operations reckoned from takeover date.

The TAT averaged six (6) days in 2007, an improvement over last year's average of seven (7) days.

Due to extraordinary circumstances, claims servicing for four (4) banks started beyond the single-digit TAT. A modified payment

scheme was adopted for two (2) rural banks due to security concerns in the localities. Depositors of these banks were notified of the closure and requirements in processing deposit insurance claims through mail. On the other hand, claims settlement in another rural bank was delayed because of the issuance of a 20-day temporary restraining order (TRO) against PDIC to cease and desist from taking over the bank. The TRO was subsequently lifted by the Court prior to the lapse of the order. In the fourth rural bank, missing bank records, suspected fictitious loans and delay in turnover of bank records hampered the examination process, thus delaying the start of claims settlement operations.

Banks taken over by PDIC during the year had adjusted deposit liabilities amounting to P1.8 billion. Of this amount, P1.6 billion or 90.5% represented estimated insured deposits.

Claims for a total of 25,899 accounts or about 37.7% of the total number of deposit accounts in banks closed in 2007 were filed as of year-end. Of this, the Corporation paid claims for 23,531 deposit accounts or 90.9% of total deposit accounts filed. In terms of amount, total claims filed aggregated P1.4 billion or 81.5% of adjusted deposit liabilities of which P1.1 billion or 76.8% was paid.

A total of 2,151 accounts for banks closed during the year amounting to P239.7 million have not been paid due to documentary deficiencies and the need to further examine documents.



PDIC aims to provide depositors world-class public service.





Sustaining single digit TAT will provide immediate relief to depositors of closed banks and strengthen confidence in the stability of the banking system.

## Claims Settlement Operations (CSO)

As of December 31, 2007

(Amount in Million Pesos)

Particulars	Banking Units	Adjusted Deposit Liabilities		Estimated Insured Deposits		Claims Filed <sup>1/</sup>		Insured Deposits Paid	
		Accts	Amount	Accts	Amount	Accts	Amount	Accts	Amount
<b>CSO started in banks closed prior to 2007</b>	<b>1,204</b>	<b>5,752,675</b>	<b>34,211.68</b>	<b>2,110,914</b>	<b>17,259.83</b>	<b>1,543,668</b>	<b>16,446.33</b>	<b>1,534,289</b>	<b>16,224.72</b>
<b>CSO started in banks closed in 2007</b>	<b>40</b>	<b>68,693</b>	<b>1,775.91</b>	<b>68,647</b>	<b>1,606.86</b>	<b>25,899</b>	<b>1,447.25</b>	<b>23,531</b>	<b>1,110.89</b>
Area Development Bank, Inc.	3	8,627	121.73	8,584	79.63	2,507	99.08	2,405	71.48
Sandigan Savings Bank, Inc.	7	7,245	339.78	7,245	282.90	4,826	308.31	4,765	268.50
Rural Bank of Cajidiocan (Romblon), Inc.	2	2,788	60.77	2,788	44.51	1,697	56.66	1,645	39.79
Rural Bank of Santol (La Union), Inc.	4	6,852	52.21	6,852	49.95	1,597	49.51	1,445	42.25
Banco Rural de San Antonio (Pangasinan), Inc.	1	224	0.47	224	0.47	42	0.27	42	0.27
Excel Rural Bank, Inc.	1	757	68.82	757	68.58	543	67.99	475	55.81
New Settlers Bank, Inc.	1	257	1.55	257	0.98	14	0.84	5	0.00
Rural Bank of General Aguinaldo (Cavite), Inc.	3	12,099	237.11	12,099	234.69	4,089	217.55	3,885	189.43
Rural Bank of San Fernando (Romblon), Inc.	1	736	6.02	736	6.00	308	4.89	302	4.59
Maranao Rural Bank (Marawi City, Lanao del Sur), Inc.	1	4,984	32.57	4,984	32.48	164	29.62	93	15.59
Rural Bank of Sebaste (Antique), Inc.	3	7,804	148.68	7,804	143.11	3,029	117.46	2,498	58.74
Rural Bank of Laur (Nueva Ecija), Inc.	1	1,425	51.07	1,425	50.44	808	42.66	785	38.98
Rural Bank of Sta. Barbara (Pangasinan), Inc.	7	8,052	273.96	8,052	267.33	3,314	239.46	3,013	196.75
Rural Bank of Malabon (Metro Manila), Inc.	1	1,120	34.20	1,120	32.65	635	26.90	619	24.44
Rural Bank of Milagros (Masbate), Inc.	1	1,292	21.14	1,292	20.87	483	17.27	465	14.87
Rural Bank of Malilipot (Albay), Inc.	1	1,140	58.14	1,137	55.44	436	33.32	432	31.78
Orani Rural Bank (Bataan), Inc.	2	3,291	267.69	3,291	236.83	1,407	135.46	657	57.62
<b>Grand Total</b>	<b>1,244</b>	<b>5,821,368</b>	<b>35,987.58</b>	<b>2,179,561</b>	<b>18,866.69</b>	<b>1,569,567</b>	<b>17,893.58</b>	<b>1,557,820</b>	<b>17,335.61</b>

<sup>1/</sup> Does not include:

a. claims for 1,550 accounts in the amount of P34.98 M which are not included in the Masterlist

b. claims in the amount of P83.57 M in excess of the insured deposits

TAT averaged six (6) days, better than last year's average of seven (7) days.



PDIC conducts Depositor's Forum to disseminate information on procedures for claims processing.

# Support Infrastructure

## Legal Affairs

PDIC, through its Legal Affairs Sector (LAS), undertook and completed 14 investigations into fraud, irregularities and/or anomalies committed in banks. As a result, six cases were filed against bank owners/directors/employees of which three were criminal charges filed before the Department of Justice and the other three administrative charges filed before the PDIC Administrative Hearing Committee.

The LAS also successfully prosecuted cases filed against two erring bankers. The bankers, in separate cases filed in 2001 and 2005, were found guilty in 2007. Both bankers were sentenced to imprisonment. In addition, one was ordered to pay the Bangko Sentral ng Pilipinas (BSP) and PDIC indemnity while the other was fined.

Legal audit of 3,528 cases involving 172 closed banks was conducted during the year. The audit facilitated the preparation of final projects of distribution (FPOD) of assets of banks under liquidation.

FPODs of 80 closed banks were filed with the liquidation courts, of which 13 were approved within the same year that will result in reimbursement of receivership and liquidation (R/L) fees and expenses in the total amount of P 7.5 million and payment of PDIC's claim for subrogated deposits in the total amount of P 11.9 million.

FPODs of 11 banks filed prior to 2007 likewise approved by the liquidation courts in 2007 will result in reimbursement of R/L and liquidation fees and expenses in the total amount of P 13.4 million and payment of PDIC's claim for subrogated deposits in the total amount of P 84.3 million. This also brought the total number of banks with FPODs approved by the court in 2007 to 24.

In addition, the approval of the FPODs ushered in the termination of the liquidation proceedings of the said 24 closed banks.

The year saw 26 cases and incidents favorably decided by the courts. Based on latest data, possible recoveries and assets preserved are estimated at P 21.5 million.

In line with the Sector's priority of conducting an information campaign on the PDIC Charter and the R/L operations for the members of the judiciary and the Corporation's accredited external counsels, the Sector conducted a seminar attended by members of the judiciary, lawyers from the Department of Finance and accredited external counsels which was held in Makati City on July 27, 2007.

As a support group of the Corporation, LAS likewise rendered opinions, and reviewed and drafted documentation needed by the various units of PDIC. Among the significant subjects studied concerned issues on the disposition of assets, problems arising from the PDIC reorganization in 2005, Building Construction Project, payment of insurance claims pending litigation questioning the closure of the bank, and the assessments made by the Bureau of Internal Revenue.

The Sector also studied the implications of a case decided by the Supreme Court, entitled Manila International Airport Authority (MIAA) vs. Court of Appeals (MIAA case). It was learned that PDIC is not a government-owned and controlled (GOCC) but a government instrumentality. PDIC's statutory counsel, the Office of the Government Corporate Counsel (OGCC), as well as the Bureau of Local Government Finance (BLGF), confirmed this position. Since government instrumentalities are exempt from the payment of real estate tax for properties devoted to public use, the Corporation applied with the City Government of Makati for a refund of the 2007 realty taxes paid and filed a protest before the City Assessor of Makati. If granted, PDIC will eventually save almost P4 million a year of what would have been assessed as realty taxes.

The LAS continued to provide legal guidance and substantial support as regards the grant and implementation of financial assistance to distressed banks. The Sector also provided advice by way of legal strategies and options, as well as documentation of transactions on all aspects of the sale of PDIC's remaining shares in PNB relative to the government's exit from said bank.

In order to facilitate research within the Corporation, the Sector codified the 2006 opinions of the Legal Services Group (LSG) which continued onto 2007.



PDIC carries out information campaigns on the PDIC Charter and receivership and liquidation operations for members of the judiciary and accredited external counsels.



PDIC Board Chairman Margarito B. Teves and the PDIC Management Committee at the 2008-2010 Strategic Planning Workshop.

### Corporate Performance Management

The PDIC Board of Directors approved during the year the adoption of institutional and sectoral key performance indicators (KPIs) to measure PDIC's ability to accomplish its mandate and corporate medium-term objectives. This is in line with the Department of Finance's thrust to enhance corporate governance and to establish a scorecard system for government-owned and controlled corporations and government financial institutions.

Two institutional KPIs served as the corporate performance measures reflecting the priority concerns of PDIC for the year. One of the institutional KPIs was the achievement of single-digit TAT to start claims servicing from bank takeover. Keeping this service commitment would minimize disruption in the financial transactions of depositors of closed banks, and sustain confidence in banking institutions. The other institutional KPI was the attainment of the targeted level of Deposit Insurance Fund (DIF) in the amount of P52.37 billion by yearend.

Ten (10) sectoral KPIs formed the bases for evaluating the performance of units and employees in the various sectors and groups of PDIC. The sectoral KPIs were classified into two categories: (1) value-creating/preserving KPIs that corresponded to the roles of PDIC as deposit insurer, statutory receiver, and co-regulator, and (2) value-enabling KPIs as a corporate organization.

### Strategic Planning

In November 2007, the Corporation embarked on a strategic planning workshop among the members of the Management Committee, culminating in a presentation to the members of the PDIC Board.

The workshop included the review of the corporate vision and the revisiting of the existing Strategic Plan to immediately address identified gaps and constraints to improve future performance.

The corporate vision was revised from being *"globally recognized as among the leaders in depositor protection"* to being *"a global leader in depositor protection"*. This shifted the focus to the importance of the attainment of global leadership in the field of depositor protection rather than on global recognition. The Strategic Plan was revised and reformulated based on the revised vision and the corporate mission to cover the period 2008-2010.

The revised Strategic Plan defines the key result areas, corporate objectives and corresponding KPIs, and strategies that will become the cornerstone of annual action plans. The Strategic Plan also retains the existing corporate objectives of PDIC as deposit insurer and statutory receiver, and restated those pertaining to being a co-regulator and a corporate organization. A new corporate objective was added to underscore efforts that would directly support the realization of the revised corporate vision.



Management Committee members brainstorm during the Strategic Planning Workshop.



One of the corporate teambuilding activities conducted to foster unity and camaraderie.

### Revision and Formulation of Guidelines

Consistent with the thrust to streamline operations, adopt best practices, comply with external guidelines and/or address gaps identified in audit reports, existing guidelines were revised and new ones were formulated. By the end of the year, 29<sup>1</sup> of the 36 identified priority guidelines were approved for adoption. The remaining eight were in various stages of review.

### Human Resource Management and Development

PDIC continued to carry out programs and initiatives that seek to strengthen the personnel's commitment to public service excellence, competitiveness and sense of well-being.

During the year, PDIC intensified its health and fitness program to offer its people not only vital medical information but also key activities geared towards proper health management. Free aerobics classes were conducted, along with a series of lectures on stress management, and the prevention of Hepatitis B, Flu and Osteoporosis. Vaccines against Flu and Hepatitis B were also provided to employees and their dependents at discounted rates.

To foster unity across the ranks, the Corporation staged its first corporate teambuilding since its reorganization in 2005 through an inter-color sports and fun games competition. The activity brought employees together into diverse teams, giving them the opportunity to interact closely with colleagues from sectors and work units outside their own. On a similar note, PDIC resumed participation, after three years of absence, in the sports activities hosted by the Government Corporations Athletic Association.

In the area of sustaining administrative effectiveness, a set of policies on the Designation of Officer-in-Charge to ensure that every unit has a duly authorized head at any given time to ensure continuous or uninterrupted delivery of service was issued. An Operations Manual (OM) for the creation, reconstitution and dissolution of Committees was likewise issued.

A number of HR policies were reviewed and updated, among them, policies on Reassignment/Transfer, Work Hours, Leave Monetization, RATA, Compensatory Time Off, Leave Benefits, Longevity Pay, and Group Accident Insurance.



Training and development opportunities help in continuously building personnel capabilities.

<sup>1</sup> Includes 1 set of guidelines approved in January 2007 that was not in the priority list for completion



PDIC participated in the 1<sup>st</sup> International Association of Deposit Insurers Executive Training Program at the Federal Deposit Insurance Corporation Corporate University in Virginia, USA.

The year also marked the adoption of the position titles prescribed by the Department of Budget Management through the Index of Occupational Services.

To continuously build its capabilities, PDIC affords its workforce a range of training and development opportunities in various areas.

In 2007, 444 out of 558 personnel-on-board or 80% of its employees were provided at least 24 hours of training as intended in the Master Training Plan.

In-house training efforts focused on Skills Retooling, in support of PDIC's receivership and liquidation function. Conducted in several batches, this program helped to create and maintain a pool of employees who can readily be deployed to reinforce the regular teams during multiple or simultaneous takeover of closed banks.

Other initiatives included programs on supervisory development, customer service, values enhancement, and teambuilding by individual departments as well as groups.

PDIC also sent personnel to foreign training programs. Sixteen (16) rank and file and 32 middle and senior management officers were sent to basic and advanced technical courses in the United States, Singapore, Thailand, Malaysia, China, Taiwan, Hong Kong and Japan. These courses were conducted by regional and international institutions such as the Federal Deposit Insurance Corporation, South East Asian Central Banks Research and Training Centre (The SEACEN Centre), APEC Financial Regulators Training Initiative, and the Malaysia Deposit Insurance Corporation. Topics covered included Basel II implementation, supervisory review of Pillar II, market risk, risk-focused supervision, target fund, continued improvement of the deposit insurance scheme, implementing risk management: people,

process and systems, fundamentals of interest rate, financial stability analysis and reports, operational risk assessment, bank examiners and auditors program, and banking and finance development for ASEAN countries.

### Information Technology

The Information Technology Group continued to enhance and upgrade the Corporation's information infrastructure.

Further improvements were made in the One Claims System that allowed the prompt servicing of deposit claims during bank closures. Enhancements were likewise introduced in the Bank Performance Monitoring System to improve its reporting facility.

Other improvements in IT resources were provided during the year to address both efficiency and security requirements. These were:

- Configuration and installation of security agents in all computers
- Migration of the email system to Lotus Notes to take advantage of the more advanced technical features.
- Launch of new Intranet design with standardized homepages for departments, groups and sectors of the Corporation to facilitate efficient management and dissemination of internal communications.
- Increased reliance on the IT Support Desk in handling IT-related problems and incidents resulting in improved response time.

The corporate website was re-designed during the year for uploading in the following year.

Along with effective regulation and supervision, PDIC believes initiatives toward depositor education will further enhance consumer protection and help promote stability in the Philippine financial system.



# Advocacy



PDIC's Financial Literacy Project was expanded to private high schools with the signing of an agreement with the Coordinating Council of Private Educational Associations (COCOPEA).

## Financial Literacy

Along with effective regulation and supervision, PDIC believes initiatives toward depositor education will further enhance consumer protection and help promote stability in the Philippine financial system. It also recognizes the importance of educating the Filipino youth on a sustained basis.

In 2007, the first school curriculum-based financial literacy education program (FLP) in the Philippines launched in 2006 in collaboration with the Department of Education (DepED) was broadened. Under the FLP, Teacher's Guides in economics and values education were developed by PDIC and DepED.

Taking off from the initial coverage of public high school students, the FLP was expanded to private high schools and colleges.

A Memorandum of Undertaking (MOU) with the Coordinating Council of Private Educational Associations (COCOPEA), the umbrella organization of private education institutions in the country was signed in June 2007 for the expansion of the FLP to private high school students. With the collaboration, over 3,000 private schools with total enrollment of about 1.3 million students will benefit from the use of the Teacher's Guides. This will effectively broaden the program to a total of about 6.3 million public and private high school students yearly.

This advocacy was also extended to the college level with the signing of an MOU in March 2007 with the Commission on Higher Education and the Philippine Council of Deans and Educators in Business (PCDEB) on the integration of financial literacy and responsible banking in the revised Bachelor of Science in Business Administration (BSBA) curriculum. The BSBA program has an average of more than half a million enrollees per year. With the foregoing expansion, the project is estimated to reach almost 6.8 million students yearly. A major activity of the tripartite business education linkage was the conduct of the First Business Education Summit held in December 2007 at the AIM Conference Center with Vice President Noli De Castro as guest of honor.



PDIC participated in the 1st Business Education-Industry Summit in December with Vice President Noli de Castro as guest of honor.

The Corporation participated in local and international conferences and exhibits to increase the public's awareness on the project. PDIC presented the project in various local and foreign events such as the 27th National Secondary School Administrators Congress of the Philippine Association of Secondary School Administrators (PASSA) on September 4-6, 2007 at the Iloilo Grand Hotel as well as in the financial literacy roadshows for overseas Filipinos (OFs) and their beneficiaries conducted jointly with the BSP in the different regions.

On the international front, PDIC presented the project during the 6th International Association of Deposit Insurers (IADI) Annual General Meeting and Conference held in Kuala Lumpur, Malaysia and the Citi-Financial Times Financial Education Summit held in New Delhi, India on December 7, 2007. The IADI is an international organization of deposit insurers that aims to share deposit insurance expertise with the world and promote financial stability. PDIC is a founding member of IADI and it sits in its policy-making Executive Council. The Financial Education Summit is the largest annual international gathering of financial education experts and advocates in the world. During said Summit, the Corporation was able to share its experiences and insights in helping boost financial literacy levels thru effective multi-sector partnerships among the government, the education and the private sector which was the summit's theme.



PDIC's financial literacy initiatives were presented in international conferences held in Malaysia (top photo) and in India (below).



A major leap for PDIC's financial literacy advocacy was the broadening of the project to include college students enrolled in business administration programs.

The Corporation likewise sustained its depositor education program with the conduct of a lecture for students of the University of St. Louis (Tuguegarao). This program seeks to educate the youth on deposit insurance and responsible banking.

**Depositors Assistance Bureau**

The Depositors Assistance Bureau (DAB) provided frontline depositor assistance during takeover and claims settlement operations (CSO). During the year, the Bureau fielded frontline personnel in all of the Corporation’s takeover and claims settlement operations.

At the home office, DAB responded to queries, requests for information on deposit insurance and assistance on deposit-related issues. The bureau received a total of 3,018 inquiries and complaints via phone calls, personal visits, e-mail, and regular mail. These were referred to the appropriate PDIC departments, and in some cases, other government agencies for action.

**Financial Literacy Campaign for Overseas Filipinos**

In support of its depositor awareness and protection program, the PDIC participated as resource person in the Financial Literacy Campaign (FLC) for overseas Filipinos (OFs) and their dependents organized and coordinated by the BSP and the Overseas Workers Welfare Administration in Bacolod City, Quezon City, Cagayan de Oro City and Dagupan City. These briefings benefited more than 300 OF families.

During the campaign, PDIC informed the participants of the importance of saving, the value of deposit insurance, and the role of PDIC in the financial safety net.



Social Welfare Secretary Esperanza Cabral receives from the late PDIC President Michael A. Osmeña PDIC’s donation for the relief and rehabilitation efforts in calamity-stricken provinces.

**Corporate Social Responsibility**

PDIC donated a total of P1.0 million for the relief and rehabilitation efforts in the provinces severely hit by two super typhoons in the latter part of 2006. The donation, coursed through the Department of Social Welfare and Development, was in response to the national call for solidarity and support. Providing assistance to the National Government in times of calamities is a component of PDIC’s corporate social responsibility program.

## Institutional Relations

The Corporation continued to make headway in its institutional linking efforts aimed at strengthening partnerships with external stakeholders by organizing a discussion Forum with banks and small and medium enterprises (SMEs), making presentations in international conferences, active participation in International Association of Deposit Insurers (IADI) activities and conducting briefings for local and foreign guests.

PDIC organized a Forum at the Asian Institute of Management on the role of thrift banks in promoting entrepreneurship and consumer welfare to cap the celebration of the Depositor Protection and Awareness Week from June 16-22. The Forum was attended by officials from the Bangko Sentral ng Pilipinas, thrift and rural bankers and small and medium entrepreneurs.



A forum organized on the role of thrift banks in promoting entrepreneurship and consumer welfare highlighted the commemoration of the Depositor Protection and Awareness Week.



The Corporation likewise participated in eight international conferences, meetings, and seminars held in Japan, the United States of America, Vietnam, Switzerland, Turkey, and Malaysia. These were organized by the IADI and various deposit insurance agencies such as the Federal Deposit Insurance Corporation (FDIC), and the Deposit Insurance Corporation of Japan (DICJ) among a few. The PDIC also participated in the first IADI Executive Training Program in July at the FDIC Corporate University in Virginia, USA.

These international activities enabled PDIC to keep abreast of global issues on deposit insurance in support of the Corporation's bid for global leadership in depositor protection. Similarly, these meetings allowed PDIC to participate in the drafting and review of guidance papers that sought to improve the efficiency of deposit insurance systems worldwide.

The Corporation shared expertise and experiences in public awareness and financial literacy initiatives in various meetings and conferences. The PDIC was panel reactor on Cross Border Issues: Public Awareness and Consumer Protection Core Elements and Effective Practices during a symposium on cross-border deposit insurance issues held at the Bank for International Settlements in Basel, Switzerland in May.



Institutional visits from the Deposit Insurance Corporation of Japan (top) and Federal Deposit Insurance Corporation (bottom)

In Istanbul, Turkey, PDIC was also a speaker on “Effective Information System: Key to Sound Risk Management” during the 1<sup>st</sup> IADI Inter-Regional Conference (Europe, Eurasia and Middle East and North Africa) where the role of deposit insurance systems in enhancing financial stability in different countries was discussed.

As part of its global linkaging, PDIC hosted high-level institutional visits and training attachments. The DICJ Governor visited PDIC in January and signed a Letter of Cooperation with the PDIC. The Exchange Letter was the first cooperative agreement entered into by PDIC with a foreign deposit insurer. An FDIC Deputy Director also visited PDIC in April for reciprocal institutional briefings.

Lectures on PDIC’s operations were likewise conducted for an officer of the Malaysia Deposit Insurance Corp. and three (3) officers of the Deposit Protection Fund Board Kenya.

PDIC sustained its linkaging activities with global peers by participating in the 6th IADI Annual General Meeting (AGM) and Conference on October 29 - November 4 in Kuala Lumpur, Malaysia, with the theme “Deposit Insurance and Consumer Protection”. During the AGM, PDIC’s representation in the international organization’s governing body was retained with the election of Executive Vice President and then Officer-in-Charge Imelda S. Singzon to the IADI Executive Council.



Launch of PDIC Occasional Paper No. 2 authored by David Walker of Canada Deposit Insurance Corporation.



Sharing expertise in effective information systems in risk management.

During the AGM, the Corporation’s Financial Literacy Program for the youth was presented. The PDIC Occasional Paper No. 2 entitled “Deposit Insurance in Selected Asian Countries: Before and After the Financial Crisis”, by David Walker of Canada Deposit Insurance Corporation, was launched during the Asia Regional Committee (ARC) Meeting.

The Philippines, represented by the Financial Sector Forum, also participated in the Asian Financial Showcase during the IADI Conference where investment opportunities in the financial sector were highlighted.

The Corporation likewise participated in eight international conferences, meetings, and seminars held in Japan, the United States of America, Vietnam, Switzerland, Turkey, and Malaysia.

The Corporation continued to make headway in its institutional linkaging efforts aimed at strengthening partnerships with external stakeholders.



PDIC booth at the International Deposit Insurance Exhibit in Kuala Lumpur, Malaysia.



# Governance

## PDIC Board of Directors

Private sector representatives, Mr. J. Antonio M. Quila and Mr. Rogelio W. Manalo, assumed their posts as Directors of the PDIC Board in September and October last year, respectively. Both directors had previously held various senior positions in the fields of banking and public administration. Director Quila is Chairman of the PDIC Board Audit Committee (BAC) while Director Manalo is Chairman of the PDIC Board Risk Management Committee (BRMC).

The BAC provides oversight supervision over the Corporation's internal audit function. The BRMC oversees the identification of strategic risks and assesses the viability and capability of the Corporation to carry out its mandate.

Former Land Bank Senior Executive Vice President Jose C. Nograles took his oath of office as PDIC President. President Nograles is Vice Chairman of the PDIC Board and Chairman of the Asset Liability Management Committee (ALCO).

In 2007, the Asset/Liability Committee was created to direct PDIC fund management and Deposit Insurance Fund (DIF) build-up. The Board also approved the adoption of a risk-based approach in the audit of operating units. These initiatives and all the other committees constituted in the past years such as the Board Audit Committee, Board Risk Management Committee, Policy Review Committee, Ethics Committee, Corporate Assets Disposal Committee, Loan Workout Executive Committee, and Committee on Accreditation and Engagement of Collection Agents and Real Estate Brokers and Agents, support the governance thrusts of the Corporation.

## Asset/Liability Committee (ALCO)

In pursuit of the institutional KPI to steadily build and preserve the DIF, the Asset/Liability Committee was created in the year. This is to institutionalize overall balance sheet management and protect the Corporation from adverse consequences arising from liquidity risk, market risk and credit risk, among others.

The ALCO headed by the PDIC President as Chairman is tasked to plan and direct the flow of PDIC funds and resources to generate stable earnings while taking reasonable business risks. ALCO is likewise tasked to direct the management of funds held in trust for banks under receivership and liquidation (BuRL) towards the enhancement of earnings and eventual recovery of creditors in closed banks including the related payout and receivership and liquidation expenses.

Aside from serving as a venue for ALCO members to get regular updates on banking and economic developments, the committee also provided critical policy directions on investment portfolio optimization and funding strategies. It likewise directed review of PDIC borrowings with high interest rates resulting in prepayment of a P608 million loan, the unloading of foreign currency denominated assets in view of the continuous strengthening of the peso, thus minimizing revaluation losses. The ALCO likewise provided guiding principles in the establishment of credit lines with permitted counterparty banks and tax settlements.



President Jose C. Nograles during his oath-taking before Finance Secretary Margarito Teves.



Directors J. Antonio Quila and Rogelio Manalo take their oath as private sector representatives to the PDIC Board.





The ALCO technical working group (top) and the Board Audit Committee (bottom) at work.

**Internal Audit**

A significant development in the internal audit operations was the adoption of a risk-based approach in the assessment and review of operating units. The approach sought to identify and evaluate significant risk exposures, and contribute to the improvement of risk management and control systems in the Corporation.

A significant development in the internal audit operations was the adoption of a risk-based approach in the assessment and review of operating units.

The guidelines and methodology of risk-based internal audit approach were approved during the year. The shift to risk-based audit approach in planning and conducting internal audits enabled the Internal Audit Group to focus its audit resources on those areas that present the greatest risk. The audit covers a reasonable part of the selected areas' internal control processes and risk management practices vis-à-vis the achievement of plans and objectives.

The pilot implementation of risk-based audit approach was completed in two major operating areas and one IT process. The group also performed operations and service quality review and review of projects of distribution of closed banks and IT systems/ applications.

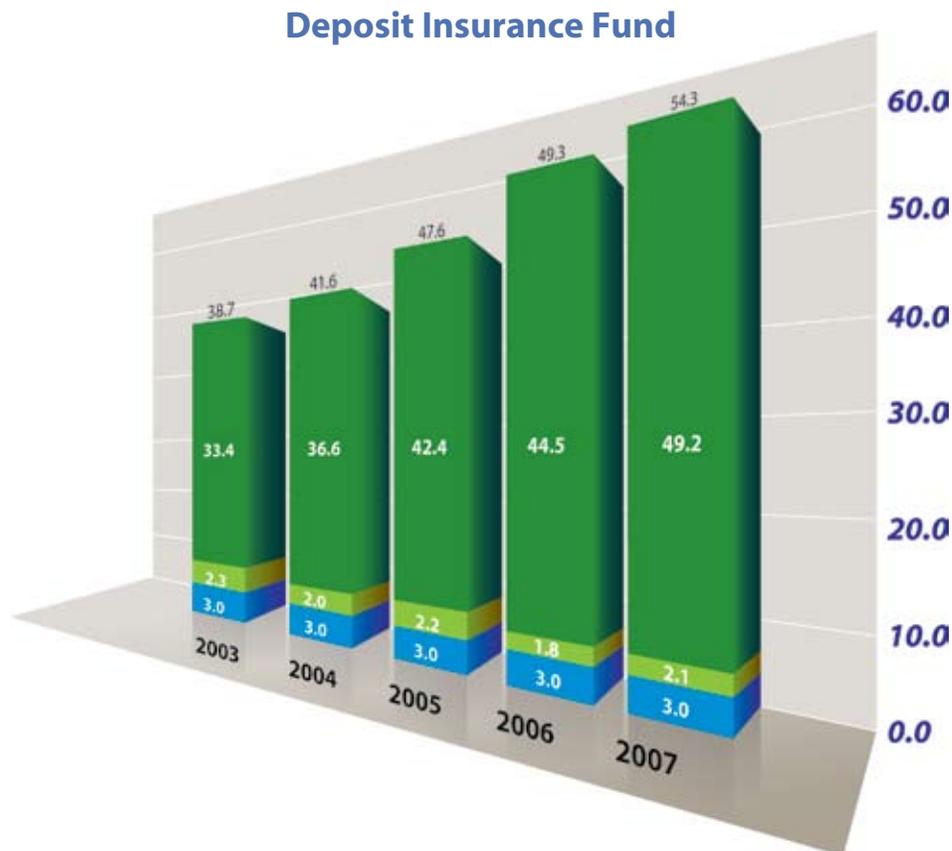


# Financial Performance

## Deposit Insurance Fund

The PDIC remained financially strong with its capital account, the Deposit Insurance Fund (DIF) reaching P54.3 billion in 2007. The P4.9 billion or almost 10% expansion in the capital base of the Corporation came largely from net additions to insurance reserves of P4.7 billion.

The DIF is composed of the permanent insurance fund or equity contribution by the government of P3.0 billion, estimated insurance losses (reserves) of P49.2 billion, and retained earnings of P2.1 billion. At the current level of P54.3 billion, the DIF has now a capacity to cover 6.1% of total estimated insured deposits (EID) of P888.3 billion. PDIC's capacity to answer for potential insurance claims has increased from 5.8% of the EID of P857.2 billion in 2006.



## Deposit Insurance Fund

(In Billion Pesos)

Components	2003	2004	2005	2006	2007
Estimated Insurance Losses/Reserves	33.4	36.6	42.4	44.5	49.2
Retained Earnings	2.3	2.0	2.2	1.8	2.1
Permanent Insurance Fund	3.0	3.0	3.0	3.0	3.0
<b>Deposit Insurance Fund</b>	<b>38.7</b>	<b>41.6</b>	<b>47.6</b>	<b>49.3</b>	<b>54.3</b>

### Resources

The financial performance of the Corporation in 2007 was marked by the successful completion of the rehabilitation of an expanded commercial bank which paved the way for the substantial settlement of obligations with BSP. Combined with the additional allowance for probable losses principally booked for assets acquired in consideration of grant of financial assistance and subrogated deposit claims, but mitigated by the increase in investments, total assets declined by P6.3 billion or 4.6% to P131.6 billion from P137.9 billion in 2006.

### Investments

As directed by the Asset/Liability Management Committee (ALCO) and given the challenge to sustain growth in investment income in the face of declining interest rate environment, identification of new investment channels were all aimed at maximization of returns. Significant amounts of new funds and maturing investment proceeds during the year were placed in medium-term to long-term government securities to recalibrate the portfolio mix and achieve higher yields.



### Investments

(In Billion Pesos)

Investments	2003	2004	2005	2006	2007
Regular	34.6	39.0	46.1	52.8	60.4
Sinking Funds	8.3	9.6	13.2	16.1	18.1
<b>Total</b>	<b>42.9</b>	<b>48.6</b>	<b>59.3</b>	<b>68.9</b>	<b>78.5</b>

PDIC funds amounted to P78.5 billion as of yearend. The investment portfolio comprised mainly of government securities and special time deposits. These funds consist of the regular funds which stood at P60.4 billion, including the Legal Liability Insurance Fund amounting to P43.3 million, and various sinking funds maintained for financial assistance-related loans totaling P18.1 billion.

The regular investments of P60.4 billion grew by P7.6 billion or 14.4% from the previous year's figure of P52.8 billion, excluding the sale of Available-for-Sale (AFS) securities of P2.2 billion representing investments in preferred shares and maturity of the floating rate treasury bonds of P3.1 billion which were acquired in consideration of financial assistance granted. The growth in investments was largely funded by assessment collections of P7.0 billion and earnings of P5.8 billion net of final withholding taxes of P1.5 billion. The sinking funds likewise increased by P2.0 billion or 12.2% to P18.1 billion from P16.1 billion in 2006 arising from scheduled contributions, interest earnings and the initial set-up of a new sinking fund for the merger of two rural banks.

PDIC participated substantially in the Bureau of the Treasury Domestic Bond Exchange Program in the amount of P5.2 billion in February 2007. The exercise minimized the Corporation's re-investment risk given a declining interest rate scenario.

Moreover, the Corporation, having no liabilities in foreign currency, unloaded investments in dollar-denominated ROP securities and converted the proceeds together with the dollar time deposits into peso investments totaling P1.8 billion to cut losses on revaluation due to the appreciation of the Peso against the US dollar.

In November 2007, the Board approved the new investment guidelines that applied to corporate funds, sinking and managed funds related to financial assistance, and the various funds held by PDIC as custodian or trustee, such as the Banks under Receivership and Liquidation (BuRL) funds and the PDIC Provident and Housing Funds.

PDIC also signed up in various electronic facilities such as the weAccess Internet banking facility with the Land Bank of the Philippines (LBP) and the Electronic Filing and Payment Scheme

(eFPS) of the Bureau of Internal Revenue (BIR) and LBP to efficiently manage bank accounts and tax transactions on-line.

The funds held in trust for BuRL posted a modest net increase of 3.1% to P4.6 billion from P4.4 billion in 2006 due mainly to interest income of P301.4 million and trading gain of P235.4 million, while funds of P216.1 million had to be released for the distribution of liquidation proceeds of the assets of closed banks and P77.1 million for expenses and other disbursements during the year.

### Receivables from Banks

Receivables from banks are composed of the direct loans to banks granted financial assistance, subrogated claims receivable representing insured deposits paid, and, accounts receivable arising from expenses advanced by the Corporation in its receivership and liquidation operations. Of the P44.5 billion balance at yearend, P39.4 billion are direct loans to banks which decreased by P6.5 billion or 14.1% from P45.8 billion in 2006 mainly due to collection of the P6.1 billion direct loan of a successfully-rehabilitated expanded commercial bank and P7.5 million dacion of the loan collaterals of an assisted rural bank that has been closed. Moreover, P380.4 million was collected from a thrift bank on its loan availment under the Countryside Financial Institutions Enhancement Program (CFIEP), a program which is geared towards capital strengthening, while a new financial assistance in the amount of P47.8 million was extended to a rural bank under the same program.

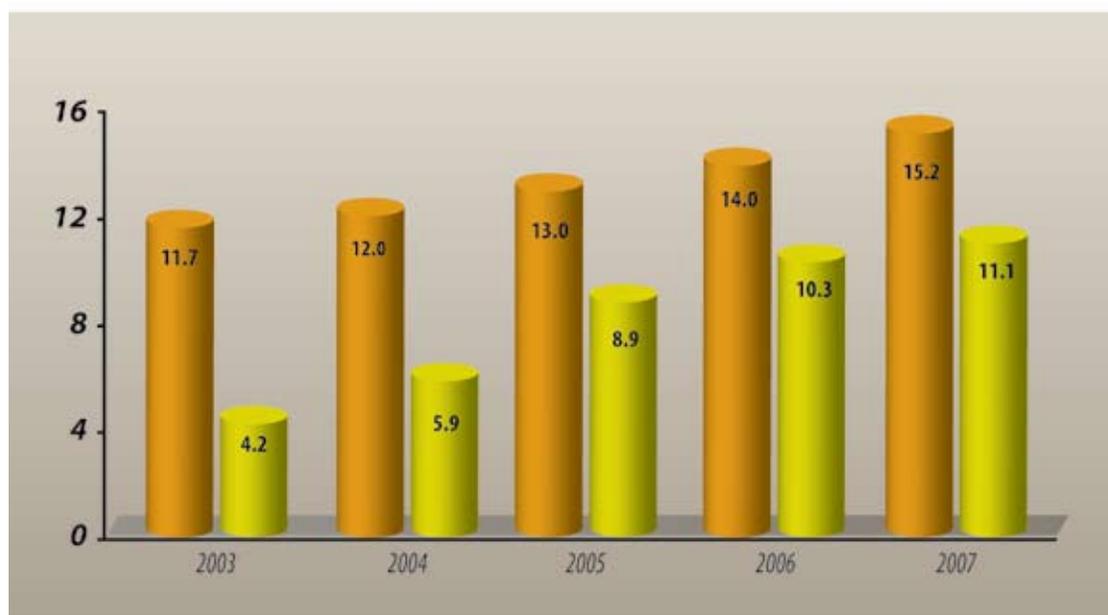
### Subrogated Deposits

During the year, 17 banks were ordered closed by the Monetary Board which required deposit insurance payments of P1.1 billion. Likewise, depositors of banks which were closed in previous years were paid P228 million. These additional payments of P1.3 billion for insured deposits necessitated the booking of P830 million in allowance for probable losses in view of poor prospects of recovery from the liquidation of closed banks' assets. Meanwhile, subrogated deposit recoveries from closed banks reached P90 million during the year. Net book value of P4.1 billion of subrogated claims receivables registered a net increase of P799 million or 24% from the year-ago level. To date, estimated recoverability of subrogated deposits only stands at 27.1%.

### Subrogated Deposit Claims Receivables

For the years 2003-2007

(In Billion Pesos)



Accounts	2003	2004	2005	2006	2007
Subrogated Deposit Claims Receivables (SDCR) Gross	11.7	12.0	13.0	14.0	15.2
Allowance for Probable Losses on SDCR	4.2	5.9	8.9	10.3	11.1
<b>Allowance / SDCR</b>	<b>36.0%</b>	<b>49.0%</b>	<b>68.8%</b>	<b>73.5%</b>	<b>72.9%</b>

### Assets Acquired

As of year-end, other assets mainly acquired through grants of financial assistance stood at P6.5 billion, net of P17 billion allowance for probable losses. On the other hand, assets acquired from closed banks amounted to P90.7 million which are payments by way of dacion for advances made by the Corporation for receivership and liquidation expenses. Combined, these contracted by P5.2 billion mainly on account of the P3.9 billion additional allowance for probable losses booked, and collections and recoveries during the year amounting to P918 million.

### Borrowings

The Corporation has settled during the year a hefty sum of P12.5 billion in loan obligations to BSP. This resulted to a decrease in loans payable to P69.5 billion or by 15.2% from the previous year's balance of P82.0 billion. The payments were mainly on the funding of the components of the rehabilitation of an expanded commercial bank particularly in equity conversion of P2.2 billion, direct loan of P6.1 billion and partially, the dacion of government loan accounts and securities of P3.5 billion. Interest amounting to P1.7 billion was also paid off during the year.

In an effort to reduce its cost of borrowing, the Corporation prepaid an outstanding consolidated loan with the BSP which should have been amortized until 2013 in the amount of P608.4 million. These loans were contracted in the late '80s to the early '90s to service insured deposit claims of failed commercial, thrift, and rural banks and a financial assistance then extended to a commercial bank.

#### Tax Settlements

The Corporation remitted to the BIR a total of P665 million in taxes mainly consisting of the advance of P100 million of the P200 million fixed VAT on assessments in accordance with the Memorandum of Agreement (MOA) with the BIR dated March 30, 2006, and P545 million additionally assessed income and withholding taxes. Together with the P1.5 billion representing final taxes on interest on investments, the Corporation has contributed to the National Government (NG) tax collections a total of P2.2 billion for the year.

The BIR has consistently recognized PDIC as one of the Top Government Taxpayers for at least three years for its faithful and exemplary compliance with the country's tax laws enabling it to contribute significantly in tax payments.

#### Income

Income from operations totaled P7.8 billion for the year which is P1.2 billion or 17.7% higher than the income for operations of P6.6 billion in 2006. This was derived mainly from the income from investments of P5.8 billion which was likewise higher by P448 million or 8.4% from last year's figure of P5.3 billion.

Net income in the amount of P1.2 billion this year is P784 million or 176.1% higher than the 2006 level of P445 million due to the gain on sale of the preferred shares of an expanded commercial bank as part of its rehabilitation amounting to P934 million. Of the net income, 50% or P615 million was declared and remitted as dividend to the NG.



PDIC has consistently been cited by the Bureau of Internal Revenue as one of the top government taxpayers for at least three years.

# Independent Auditor's Report



Republic of the Philippines  
**COMMISSION ON AUDIT**  
 Commonwealth Avenue, Quezon City

## 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 of 31 December 2007 and the statements of income and expenses, changes in deposit insurance fund and cash flows 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 financial reporting standards applicable in the Philippines. 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.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in the Philippines. 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.

## Opinion

**In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Philippine Deposit Insurance Corporation as of 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with financial reporting standards applicable in the Philippines.**

Without qualifying our opinion, we draw attention to Note 19.1a to the financial statements. The Bureau of Internal Revenue (BIR) assessed the corporation the amount of P2.52 billion basic VAT deficiencies for 1996 to 2002 and P1.21 billion for 2003 to 2004. PDIC contested said assessments and a case is pending for resolution with the Department of Justice (DOJ). Without prejudice to the outcome of the DOJ case, a Memorandum of Agreement between BIR and PDIC was entered into on March 30, 2006 where PDIC paid P1.50 billion upon execution and P200 million under protest for the year 2005 and succeeding years. It was agreed upon that in the event of a final decision adverse to PDIC, the Corporation shall pay the BIR the balance of basic VAT only.

COMMISSION ON AUDIT

**JOSE R. ROCHA, JR.**

Director IV

Cluster II – Financial B

Corporate Government Sector

# Statement of Condition

December 31, 2007 (with comparative figures for 2006)

(In Thousand Pesos)

	Notes	2007	2006 (As Restated)
<b>ASSETS</b>			
Cash and cash equivalents	3	515,657	638,699
Available-for-sale investments	4	470,358	2,174,310
Held-to-maturity investments	5	77,563,636	71,390,815
Receivable from banks, net	6	44,473,851	50,001,475
Interest and other receivables	7	1,778,167	1,686,501
Property and equipment, net	8	149,420	159,611
Intangible assets	9	9,273	2,505
Other assets, net	10	6,682,668	11,923,187
<b>TOTAL ASSETS</b>		<b>131,643,030</b>	137,977,103
<b>LIABILITIES AND DEPOSIT INSURANCE FUND</b>			
<b>LIABILITIES</b>			
Accounts payable and other liabilities	11	7,700,921	6,470,143
Loans payable	12	69,528,761	81,997,776
Unearned income	13	147,416	124,571
		<b>77,377,098</b>	88,592,490
<b>DEPOSIT INSURANCE FUND</b>			
Permanent insurance fund	2.4.8	3,000,000	3,000,000
Estimated insurance losses/Reserves	2.4.10	49,197,973	44,529,738
Retained earnings		2,069,517	1,854,875
Unrealized loss on AFS investments		(1,558)	-
		<b>54,265,932</b>	49,384,613
<b>TOTAL LIABILITIES AND DEPOSIT INSURANCE FUND</b>		<b>131,643,030</b>	137,977,103

See accompanying Notes to Financial Statements.

# Statement of Income and Expenses

For the Year Ended December 31, 2007 (with comparative figures for 2006)  
(In Thousand Pesos)

	Notes	2007	2006
<b>INCOME</b>			
Income from investments, net		5,761,507	5,313,620
Income from financial assistance		1,077,257	1,407,746
Other income, net		996,148	(66,133)
<b>TOTAL INCOME</b>		<b>7,834,912</b>	6,655,233
<b>EXPENSES</b>			
Interest on borrowings	17	2,786,007	2,710,793
Expenses in excess of assessments	14-16	3,792,743	3,469,604
<b>TOTAL EXPENSES</b>		<b>6,578,750</b>	6,180,397
<b>INCOME BEFORE TAX</b>			
		1,256,162	474,836
Income tax (MCIT)		(26,908)	(29,619)
<b>NET INCOME AFTER TAX</b>		<b>1,229,254</b>	445,217

See accompanying Notes to Financial Statements.

# Statement of Changes in Deposit Insurance Fund

For the Year Ended December 31, 2007 (with comparative figures for 2006)

(In Thousand Pesos)

Notes	2007	2006 (As Restated)
<b>PERMANENT INSURANCE FUND</b>		
Balance at beginning/end of year	<b>3,000,000</b>	3,000,000
<b>ESTIMATED INSURANCE LOSSES/RESERVES</b>		
Balance at beginning of year	<b>44,529,738</b>	42,329,586
Additions / deductions, net	<b>4,668,235</b>	2,200,152
16		
Balance at end of year	<b>49,197,973</b>	44,529,738
<b>RETAINED EARNINGS</b>		
Balance at beginning of year	<b>1,854,875</b>	2,235,541
Corrections for prior years	-	79,824
Income tax deficiency	<b>(399,985)</b>	(683,098)
Net income after tax	<b>1,229,254</b>	445,217
Dividends to the National Government	<b>(614,627)</b>	(222,609)
Balance at end of year	<b>2,069,517</b>	1,854,875
<b>UNREALIZED LOSS ON AFS INVESTMENTS</b>		
	<b>(1,558)</b>	-
<b>DEPOSIT INSURANCE FUND</b>		
	<b>54,265,932</b>	49,384,613

See accompanying Notes to Financial Statements.

# Statement of Cash Flows

For the Year Ended December 31, 2007 (with comparative figures for 2006)  
(In Thousand Pesos)

	Notes	2007	2006 (As Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Collections of loans and sale of assets acquired	6	7,411,760	3,099,646
Income from investments		5,058,924	5,045,799
Income from financial assistance	6a	1,034,590	1,443,323
Collections of subrogated claims receivables	6b	87,322	5,155
Collections from banks under receivership and liquidation	6b	39,492	4,633
Dividend, service and miscellaneous income		38,736	7,994
Collections of various receivables		4,134	21,106
Advances for receivership and liquidation operations	6b	(7,015)	(1,632)
Payment of interest on borrowings	17	(1,277,860)	(1,244,617)
Payment of insured deposits	6b	(1,334,985)	(1,037,526)
Payment of maintenance and other operating expenses		(906,630)	(805,607)
Payment of assessed tax deficiencies		(545,583)	(500,000)
Payment of various payables		(343,834)	(328,578)
Remittance to Bangko Sentral ng Pilipinas (BSP)	12	(380,417)	(2,225)
Payment of value-added tax		(100,000)	(1,800,000)
Extension of loans to banks	6a	(47,803)	(9,000,000)
Payment of MCIT as of 3rd Qtr 2007		(19,492)	-
<b>Net cash provided/(used) in operating activities</b>		<b>8,711,339</b>	<b>(5,092,529)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from matured investments		40,647,166	38,283,322
Proceeds from sale of preferred stocks		3,108,477	-
Placement in various investments		(46,720,360)	(49,351,573)
Cost of purchased property and equipment	8	(20,178)	(25,611)
<b>Net cash used in investing activities</b>		<b>(2,984,895)</b>	<b>(11,093,862)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Assessment collections	14	7,047,056	6,050,742
Borrowings from BSP	12	47,803	10,100,000
Payment of loans to BSP	12	(12,539,682)	(1,205,398)
Advance payment of dividends to National Government		(350,000)	(200,000)
Payment of dividends to National Government		(22,608)	(105,932)
<b>Net cash provided/(used) in financing activities</b>		<b>(5,817,431)</b>	<b>14,639,412</b>
<b>Effect of Foreign Currency Revaluation</b>		<b>(32,055)</b>	<b>(317)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(123,042)</b>	<b>(1,547,296)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	3	<b>638,699</b>	<b>2,185,995</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	3	<b>515,657</b>	<b>638,699</b>

See accompanying Notes to Financial Statements.

# Notes to Financial Statements

## 1. GENERAL 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 PDIC Charter was amended through Republic Act 9302 on August 12, 2004. This armed PDIC to provide heightened depositor protection through the increase in the maximum deposit insurance coverage (MDIC) to P250,000; restoration of PDIC's authority to examine banks with prior approval by the Monetary Board; grant of financial assistance to distressed banks under systemic risk considerations; authority to investigate banks on frauds, irregularities and anomalies based on complaints received and reports of bank examinations; and the enhancement of PDIC's receivership and liquidation authority.

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

The financial statements have been authorized for issuance by the Board of Directors on January 30, 2008.

Likewise, the financial statements presented herewith have been prepared under the historical cost basis, except for available-for-sale investments, loans and receivables and assets held for sale, 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.

## 2. 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 of December 31, 2007 are presented in conformity with accounting principles generally accepted in the Philippines set forth in the Philippine Financial Reporting Standards (PFRS) and adoption of some Philippine Accounting Standards (PAS) except as stated in Notes 13 and 14.

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.

### **2.2.1 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.

### **2.2.2 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.

### **2.2.3 Impairment losses of 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.

### **2.2.4 Impairment of subrogated claims receivable/accounts receivable - receivership and liquidation**

The Corporation reviews its Subrogated Claims Receivable (SCR) account, representing payments made by PDIC on deposit insurance claims, 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.

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

### **2.2.5 Estimated useful lives of property and equipment**

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

### **2.2.6 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**

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

## **2.4 Summary of significant accounting policies**

### **2.4.1 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and other check items, working funds, demand deposits, and placement with banks, due from BSP, together with 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.

## 2.4.2 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. Loans and receivables are recognized when cash is advanced for direct loans, insured deposits, expenses for receivership and liquidation, and other similar transactions.

### a. 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 funds until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in capital funds should be recognized in the statements of income. Dividends on AFS equity instruments shall be recognized in the statements of income when the entity's right to receive payment is established.

### b. Held-to-maturity (HTM) investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Corporation's management has the positive intention and ability to hold to maturity. These investments are carried at amortized cost less impairment in value, if any. Gains and losses are recognized in income statement when the HTM are derecognized and impaired, as well as through the amortization process.

### c. 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 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.

## 2.4.3 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 maybe impaired. If such evidence exists, impairment loss is recognized in the statement of income.

### a. Impairment of financial assets

Impairment is determined as follows:

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. Impairment losses recognized in the statements of income on equity instruments are not reversed through the statement of income. 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.

**b. Derecognition of financial instruments**

**1. Financial Asset**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) 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 expires.

**2.4.4 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 Computers	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 and the estimated useful lives of the improvements.

**2.4.5 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.

#### **2.4.6 Borrowing costs**

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

#### **2.4.7 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) assessment collections, subject to the charges enumerated in Section 6d of the PDIC Charter (refer to Note 14); (c) reserves for insurance and financial assistance losses (Note 16); and (d) retained earnings. Provided, that the reserves for insurance and financial assistance losses and retained earnings shall be maintained at a reasonable level to ensure capital adequacy.

Since 2003, the Corporation has 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.

#### **2.4.8 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.

#### **2.4.9 Assessments**

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 f of Section 4 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 of the close of business on March 31 and June 30 for the first semester and as of 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.

#### **2.4.10 Estimated insurance losses/reserves**

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 Estimated Insurance Losses. (Note 16)

#### **2.4.11 Income recognition**

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

##### **a. Investment income**

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

##### **b. Interest income**

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

#### **2.4.12 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.

#### **2.4.13 Employee benefits**

##### **a. 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. Corporate contribution is vested to the employee after completing a year of service in the Corporation. The Fund is administered by its Board of Trustees.

**b. 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.

**c. Terminal / 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.

**2.4.14 Leases****a. 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.

**b. 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 and 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.

**2.4.15 Financial assistance to banks**

In accordance with Sec. 17 (c) 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 direct loan, purchase of assets, assumption of liabilities, placements of deposits, equity or quasi-equity.

**3. CASH AND CASH EQUIVALENTS**

This account includes the following:

	2007	2006
Cash on Hand <sup>a/</sup>	9,590	14,764
Cash in Bank <sup>b/</sup>	11,170	16,362
Short-term Investments <sup>c/</sup>	494,897	607,573
	<b>515,657</b>	638,699

<sup>a/</sup> The balance includes checks and other cash items received after the close of banking hours on the last business day of the year.

<sup>b/</sup> The account consists of the balances of the following:

	2007	2006
Corporate Operating Funds	2,725	4,358
Funds for Direct Pay-out	6,487	7,835
Accounts used for Collection	932	3,279
CIB-Emergency Drawing Fund	967	831
Due from BSP	59	59
	<b>11,170</b>	16,362

<sup>c/</sup> This account refers to investments classified as cash equivalents having maturities of three months or less from the date of acquisition/ placement.

**4. AVAILABLE- FOR- SALE INVESTMENTS**

This consists of treasury notes of P470.36 million in 2007 and investment in preferred shares of P2.17 billion of the Corporation to an expanded commercial bank in 2006 by way of debt-to-equity conversion relative to its rehabilitation program.

**5. HELD-TO-MATURITY INVESTMENTS (HTM)**

This consists of investments in peso and dollar-denominated treasury notes and bonds, and sinking funds, as follows:

	2007	2006
Regular Investments	59,395,171	55,242,936
Sinking Funds <sup>a/</sup>	18,125,171	16,147,879
Legal Liability Insurance Fund <sup>b/</sup>	43,294	-
	<b>77,563,636</b>	71,390,815

<sup>a/</sup> Funds accumulated by the Corporation or being managed by BSP for the payment of PDIC loans.

<sup>b/</sup> 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.

## 6. RECEIVABLE FROM BANKS, NET

The following receivables are classified into this account as follows:

	2007	2006
Loans <sup>a/</sup>	<b>39,374,716</b>	45,834,825
Receivables - Closed Banks <sup>b/</sup>	<b>5,099,135</b>	4,166,650
	<b>44,473,851</b>	50,001,475

### <sup>a/</sup> Loans

This represents financial assistance by way of 1) interest bearing direct loans and liquidity assistance as extended to 5 commercial banks, 1 thrift bank, 1 rural bank amounting to P31.5 billion and 2) assets acquired by PDIC arising from financial assistance amounting to P7.90 billion primarily for buyback by the assisted bank.

All financial assistance extended to banks are approved by the PDIC Board and the Monetary Board.

### <sup>b/</sup> Receivables - Closed Banks, net, includes the following:

	2007	2006
Subrogated Claims <sup>b.1/</sup>	<b>15,240,448</b>	13,991,992
Subrogated Claims Assigned	<b>(3,762)</b>	(384,179)
Allowance for Probable Losses	<b>(11,109,953)</b>	(10,279,860)
	<b>4,126,733</b>	3,327,953
AR- Receivership and Liquidation <sup>b.2/</sup>	<b>957,297</b>	825,724
Allowance for Probable Losses	<b>(11,825)</b>	(11,759)
	<b>945,472</b>	813,965
Loans Receivables-Closed Banks <sup>b.3/</sup>	<b>165,026</b>	162,828
Allowance for Probable Losses	<b>(138,096)</b>	(138,096)
	<b>26,930</b>	24,732
	<b>5,099,135</b>	4,166,650

### <sup>b.1.</sup> Subrogated claims receivable

This is the balance of amount paid by PDIC to insured depositors of closed banks recoverable from the remaining assets of these banks

upon liquidation. In the year 2007, additions to this account amounted to P1.25 billion mainly pertaining to 17 banks which were closed, with total deposit liabilities of P1.78 billion consisting of 68,693 accounts. On the other hand, the Subrogated Claims Receivable - Assigned account represents the amount of subrogated claims assigned to BSP in exchange for non-negotiable PNs 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.

### <sup>b.2.</sup> Accounts receivable – receivership and liquidation

These are expenses advanced by the Corporation necessary in carrying out its mandate as receiver and liquidator of closed banks. Any related allowance for loss represents the difference between the funds advanced and/or obligations incurred and the expected repayment.

### <sup>b.3.</sup> Loans receivables – closed banks

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

## 7. INTEREST AND OTHER RECEIVABLES

The following receivables are classified into this account as follows:

	2007	2006
Interest Receivables <sup>a/</sup>	<b>1,573,048</b>	1,481,565
Advances to Officers and Employees <sup>b/</sup>	<b>902</b>	624
Other Receivables <sup>c/</sup>	<b>204,217</b>	204,312
	<b>1,778,167</b>	1,686,501

<sup>a/</sup> This represent interest receivables from investments amounting to P1,324,291 in 2007 and P1,129,336 in 2006 and loans granted to assisted banks of P248,757 in 2007 and P352,229 in 2006.

<sup>b/</sup> These are cash advances of officers and staff for approved travel assignments.

<sup>c/</sup> All other receivables including assessment deficiencies of member banks and those subsequently closed.

## 8. PROPERTY AND EQUIPMENT, NET

This account includes the following:

Particulars	Land, Buildings and Structure <sup>a/</sup>	Furniture, Fixtures, Equipment and Books	Transportation Equipment	Leased Transportation Equipment <sup>b/</sup>	Total
<b>Cost</b>					
At 1 January 2007	171,523	148,350	5,576	2,723	328,172
Additions	-	3,463	-	7,134	10,597
Disposals/Adjustments	-	(715)	-	-	(715)
<b>At 31 December 2007</b>	<b>171,523</b>	<b>151,098</b>	<b>5,576</b>	<b>9,857</b>	<b>338,054</b>
<b>Accumulated Depreciation</b>					
At 1 January 2007	75,329	85,428	5,081	2,723	168,561
Depreciation	3,472	16,132	121	497	20,222
Disposals/Adjustments	-	(149)	-	-	(149)
<b>At 31 December 2007</b>	<b>78,801</b>	<b>101,411</b>	<b>5,202</b>	<b>3,220</b>	<b>188,634</b>
<b>Net book value</b>					
1 January 2007	96,194	62,922	495	-	159,611
<b>At 31 December 2007</b>	<b>92,722</b>	<b>49,687</b>	<b>374</b>	<b>6,637</b>	<b>149,420</b>

Particulars	Land, Buildings and Structure <sup>a/</sup>	Furniture, Fixtures, Equipment and Books	Transportation Equipment	Leased Transportation Equipment <sup>b/</sup>	Total
<b>Cost</b>					
At 1 January 2006	171,523	143,824	5,576	2,723	323,646
Additions	-	30,680	-	-	30,680
Disposals/Adjustments	-	(26,154)	-	-	(26,154)
<b>At 31 December 2006</b>	<b>171,523</b>	<b>148,350</b>	<b>5,576</b>	<b>2,723</b>	<b>328,172</b>
<b>Accumulated Depreciation</b>					
At 1 January 2006	71,856	96,860	4,662	-	173,378
Depreciation	3,473	12,990	419	2,723	19,605
Disposals/Adjustments	-	(24,422)	-	-	(24,422)
<b>At 31 December 2006</b>	<b>75,329</b>	<b>85,428</b>	<b>5,081</b>	<b>2,723</b>	<b>168,561</b>
<b>Net book value</b>					
1 January 2006	99,667	46,964	914	2,723	150,268
<b>At 31 December 2006</b>	<b>96,194</b>	<b>62,922</b>	<b>495</b>	<b>-</b>	<b>159,611</b>

<sup>a/</sup> This account includes property located at Chino Roces Avenue, Makati City.

<sup>b/</sup> The account includes six vehicle units being leased under a finance lease agreement with LBP Leasing.

## 9. 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
<b>2007</b>			
At 1 January 2007	21,317	18,812	2,505
Additions	9,982	-	9,982
Amortization	-	2,584	(2,584)
Disposals/Adjustments	(15,802)	(15,172)	(630)
<b>At 31 December 2007</b>	<b>15,497</b>	<b>6,224</b>	<b>9,273</b>
<b>2006</b>			
At 1 January 2006	21,234	18,802	2,432
Additions	83	-	83
Amortization	-	10	(10)
<b>At 31 December 2006</b>	<b>21,317</b>	<b>18,812</b>	<b>2,505</b>

## 10. OTHER ASSETS, NET

This account includes the following:

	2007	2006
Assets Acquired <sup>a/</sup>	<b>23,563,530</b>	24,916,184
Allowance for Probable Losses	<b>(17,028,977)</b>	(13,144,983)
	<b>6,534,553</b>	11,771,201
Acquired assets as payment of receivables from closed banks <sup>b/</sup>	<b>90,744</b>	88,021
Provident Fund - Car Fund	<b>39,262</b>	39,261
Prepayments <sup>c/</sup>	<b>8,186</b>	16,555
Guarantee Deposits <sup>d/</sup>	<b>7,600</b>	5,021
Inventories		
Office Supplies and Materials	<b>1,331</b>	1,905
Decals and standees	<b>277</b>	373
Petty Cash Fund <sup>e/</sup>	<b>715</b>	850
	<b>6,682,668</b>	11,923,187

<sup>a/</sup> Includes non-performing assets acquired.

<sup>b/</sup> Includes assets received from closed banks in payment for subrogated deposits and advances for receivership and liquidation expenses.

<sup>c/</sup> Includes various prepaid expenses i.e., taxes on investments, IT maintenance service, insurance and others.

<sup>d/</sup> Includes miscellaneous assets such as subscriber's investments and deposits with utility companies (SSS, MERALCO, PLDT, etc.)

<sup>e/</sup> The account includes cash for petty operating expenses and emergency drawings for specific purposes.

## 11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account includes the following:

	2007	2006
Interest Payable <sup>a/</sup>	7,029,171	5,977,300
Inter-agency Payables <sup>b/</sup>	517,967	345,438
Due to Officers and Employees <sup>c/</sup>	92,989	84,058
Accounts Payables <sup>d/</sup>	30,867	40,347
Other Payables <sup>e/</sup>	29,927	23,000
	<b>7,700,921</b>	6,470,143

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

For one particular loan with BSP with an outstanding balance of P4.6 billion, the source of payment of interest is limited to the collections and recoveries from the government accounts assigned by way of dacion to PDIC by the assisted bank, hence, PDIC does not accrue interest on the said loan. The interest on this loan is payable at the end of the following month after receipt of payments from the dacion accounts.

<sup>b/</sup> Inter-agency Payable

	2007	2006
Bureau of Treasury	264,627	22,609
BIR	213,397	284,832
PDIC Provident Fund	32,083	30,732
Government Service Insurance System	7,089	6,437
PhilHealth	417	365
Pag-IBIG	280	293
Bangko Sentral ng Pilipinas	74	170
	<b>517,967</b>	345,438

<sup>c/</sup> Composed of accrued leaves of employees payable upon monetization, retirement or resignation amounting to P87.03 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.

<sup>d/</sup> Refers to the amount due to various suppliers/creditors and unclaimed checks.

<sup>e/</sup> Other payables include performance bidders bond payable, payables to resigned employees, lease liability for rental of six vehicle units, temporary lodging account for collections to be applied against obligations to BSP at due date and overpayment by banks, which are creditable to subsequent assessment period.

## 12. LOANS PAYABLE

This account represents outstanding loans payable to the BSP which were utilized, as follows:

	2007	2006
Financial assistance granted to various banks		
Commercial Banks	65,530,093	70,559,974
Thrift Banks	3,950,865	10,728,002
Rural Bank	47,803	-
Service insurance claims in the 1980s and support mergers of several rural banks	-	709,800
	<b>69,528,761</b>	81,997,776

## 13. UNEARNED INCOME

This account represents billings against closed banks for indirect expenses, based on 20% of the direct expenses advanced by the Corporation.

## 14. ASSESSMENTS

	2007	2006
<b>Assessments</b>	<b>7,045,111</b>	6,051,217
<b>Expenses and Charges</b>		
Operating Expenses	1,003,019	2,699,491
Additions to Reserves	5,100,000	2,200,000
Insurance and Financial Assistance Losses	4,734,835	4,621,330
Rehabilitation Cost	3,904,273	3,209,400
Deposit Claims Pay-out Expenses	830,093	1,257,637
Receivership and Liquidation Expenses	469	154,293
<b>Total Expenses and Charges</b>	<b>10,837,854</b>	9,520,821
<b>Expenses in Excess of Assessments</b>	<b>(3,792,743)</b>	(3,469,604)

Details of assessments collected from member banks are as follows:

	2007	2006
Commercial Banks	<b>6,158,925</b>	5,347,146
Thrift Banks	<b>685,752</b>	538,249
Rural Banks	<b>200,434</b>	165,822
	<b>7,045,111</b>	6,051,217

Pursuant to Sec. 13 of R.A. 3591, as amended by R.A. 9302, which became effective August 12, 2004, assessment collections are booked to Assessment Fund account as a component of the Deposit Insurance Fund (DIF), the Corporation's capital account. Expenses and charges enumerated in Section 6 (d) of the Charter are charged against assessment collections. Such expenses and charges are:

- a. Operating costs and expenses of the Corporation for the calendar year;
- b. Additions to reserve to provide for insurance and financial assistance losses during the calendar year; and
- c. Net insurance and financial assistance losses sustained in said calendar year.

The expenses and charges in excess of assessments are charged against income from operations.

## 15. OPERATING EXPENSES

This account consists of the following:

	2007	2006
Personal Services	<b>603,712</b>	628,679
Maintenance and other operating expenses (including P212 million taxes, fees and licenses in 2007 and P1.9 billion in VAT compromise tax for 2006)	<b>399,307</b>	2,070,812
	<b>1,003,019</b>	2,699,491

## 16. ESTIMATED INSURANCE LOSSES / RESERVES

Reserve for insurance losses was P5.10 billion for 2007 and P2.20 billion for 2006 less adjustments in asset recoveries of P431,765 and P152 in 2007 and 2006, respectively (See also Note 2.4.10).

## 17. INTEREST ON BORROWINGS

This account consists of Interest Expense account totaling P2.79 billion in 2007 and P2.71 billion in 2006 primarily on outstanding loans to BSP used to fund the financial assistance to various banks.

## 18. LEASES

The Corporation leased the premises of the SSS at Ayala Avenue, Makati City, which serve as PDIC extension office for P28.14 million for a period of one year. The lease is renewable annually under certain terms and conditions.

Also, the Corporation had acquired six vehicle units under a finance lease agreement with the LBP Leasing for a period of three years.

## 19. CONTINGENT LIABILITIES AND OTHER MATTERS

19.1 The following cases may result in contingent liabilities as a consequence of adverse judgments that may be rendered subsequently:

### a. Value-added tax on assessments

BIR assessed the Corporation for alleged tax liabilities representing unpaid value-added taxes (VAT) amounting to P2.52 billion, excluding interest and penalties, covering the years 1996 to 2002. PDIC contested the assessments on the following arguments: (1) PDIC is not engaged in the sale of goods or services but is a regulatory agency; (2) the services provided by PDIC are not one of those classified as non-life insurance; and (3) the assessment fees PDIC levies on member banks are mandatory government exactions that must be paid under pain of administrative and/or other sanctions.

The issue on the "VATability" of assessment fees was eventually referred to the Department of Justice (DOJ) for adjudication on 23 September 2004. While the issue is pending with the DOJ, BIR issued in October 2005 a preliminary notice against PDIC for alleged VAT for taxable years 2003-2004 in the basic amount of P1.21 billion.

Without prejudice to the outcome of the DOJ case, a Memorandum of Agreement (MOA) between BIR and PDIC was entered into on 30 March 2006 where PDIC paid P1.50 billion upon execution and obliged itself to pay P200 million for future assessments. It was agreed that in the event of a final decision adverse to BIR, the latter shall refund to PDIC all the payments made under protest covering the period 2005 and thereafter. If on the contrary, PDIC shall pay the BIR the balance of basic VAT only. The BIR continuously assesses PDIC for alleged deficiency VAT for the subsequent taxable years. To date, Post Reporting Notices for 2005 and 2006 have been issued to PDIC.

b. Claims for deposit insurance

Two cases were filed against the Corporation for payment of deposit insurance involving the estimated amount of P21.75 million. In addition, the Corporation, pursuant to Section 10 (c) of the PDIC Charter, initiated an action for judicial determination of deposits against a group of depositors where the claim involved is estimated at P3 million.

c. 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 22 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 a Motion for Reconsideration filed by the separated employees.

d. Cases subject matter of which are incapable of pecuniary estimation but with claims for damages

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

19.2 Estimated insured deposits

As of December 31, 2007, total insured deposits under the P250,000 insurance coverage amounted to P888.26 billion representing 30,601,160 accounts. This is equivalent to 24.30% of the total deposits of P3,655.25 billion in the banking industry.

19.3 Unpaid claims for insured deposits

As of end of 2007, total claims for insured deposits filed by depositors of closed banks totaled P17.89 billion representing 1,569,567 accounts. Claims totaling P438.62 million corresponding to 11,479 accounts are still unpaid due to various reasons such as: a) defective/incomplete supporting documents; b) with questions as to the validity of claims; c) claimants' whereabouts unknown.

19.4 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 P830.92 million for contested billings of P827.70 million including interests.

### 19.5 Banks under receivership and liquidation

There are a total of 467 closed banks as of December 31, 2007 under PDIC receivership and liquidation including the 17 banks that were closed in 2007. The total estimated realizable value of assets and liabilities of the banks amounted to P14.39 billion and P41.65 billion, respectively.

The outstanding Accounts Receivable - Receivership and Liquidation as of December 31, 2007 amounted to P957.30 million.

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.

#### 20.2.1 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.

	Notes	Gross Maximum Exposure 2007	Gross Maximum Exposure 2006
Receivable from Banks Interest and Other	6	<b>44,473,851</b>	50,001,475
Receivables	7	<b>453,876</b>	557,165
<b>Total credit risk exposure</b>		<b>44,927,727</b>	50,558,640

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.

## 20. FINANCIAL RISK MANAGEMENT

### Financial Risk Factors

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

#### 20.1 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 as well as the effects of foreign exchange rate fluctuations on its foreign currency denominated investments.

#### 20.2 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.

#### 20.3 Liquidity risk

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

## 20.3.1 Analysis of financial liabilities by maturity

The table below summarizes the maturity profile of the Corporation's financial liabilities at 31 December 2007.

<b>Financial liabilities</b>	<b>On demand</b>	<b>Up to 3 months</b>	<b>&gt; 3 up to 12 months</b>	<b>&gt; 1 up to 5 years</b>
<b>As at 31 December 2007</b>				
Accounts Payable and Other Liabilities	149,489	253,769	265,793	2,699
Interest Payable	76,414	293,957	210,043	-
Loans Payable	-	-	-	8,628,922
<b>Total</b>	<b>225,903</b>	<b>547,726</b>	<b>475,836</b>	<b>8,631,621</b>
<b>As at 31 December 2006</b>				
Accounts Payable and Other Liabilities	240,617	-	252,226	-
Interest Payable	82,869	293,438	240,127	218,012
Loans Payable	-	-	-	20,560,203
<b>Total</b>	<b>323,486</b>	<b>293,438</b>	<b>492,353</b>	<b>20,778,215</b>
	<b>&gt; 5 up to 10 years</b>	<b>&gt; 10 up to 20 years</b>	<b>Over 20 years</b>	<b>Total</b>
<b>As at 31 December 2007</b>				
Accounts Payable and Other Liabilities	-	-	-	671,750
Interest Payable	1,068,225	1,596,711	3,783,821	7,029,171
Loans Payable	9,312,468	39,375,171	12,212,200	69,528,761
<b>Total</b>	<b>10,380,693</b>	<b>40,971,882</b>	<b>15,996,021</b>	<b>77,229,682</b>
<b>As at 31 December 2006</b>				
Accounts Payable and Other Liabilities	-	-	-	492,843
Interest Payable	953,543	1,256,100	2,933,211	5,977,300
Loans Payable	9,850,202	39,375,171	12,212,200	81,997,776
<b>Total</b>	<b>10,803,745</b>	<b>40,631,271</b>	<b>15,145,411</b>	<b>88,467,919</b>

# Board of Directors



**Nestor A. Espenilla, Jr.**  
Alternate to BSP Governor

Deputy Governor, Bangko Sentral ng Pilipinas  
Former Assistant Governor, BSP  
Former Managing Director, BSP  
Former Director, Supervisory Reports and Studies Office, 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



**Amando M. Tetangco, Jr.**  
Director

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



**Margarito B. Teves**

Chairman

Secretary, Department of Finance  
 Governor for the Philippines, World Bank Group  
 Governor for the Philippines, Asian Dev't. Bank  
 Chairman, Land Bank of the Philippines  
 Chairman, NEDA - Investment Coordination  
 Committee  
 Former President, Land Bank of the Philippines  
 Former Representative, Negros Occidental  
 (3rd Dist.)

**Jose C. Nograles**

Vice Chairman

President, Philippine Deposit Insurance Corp.  
 Former Senior EVP, Land Bank of the  
 Philippines  
 Former SVP and Treasurer, LBP Treasury and  
 Investment Banking Group  
 Former President, Land Bank Insurance  
 Brokerage, Inc.  
 Former Assistant Minister, Ministry of Natural  
 Resources

**J. Antonio M. Quila**

Director

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

**Jeremias N. Paul, Jr.**

Alternate Director

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

# Board Committees



## Board Audit Committee

The Board Audit Committee 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 Board Audit Committee 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)* BSP Deputy Governor **Nestor A. Espenilla, Jr.** (Member); Director **J. Antonio M. Quila** (Chairman); Director **Rogelio W. Manalo** (Member)



## Board 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)* Finance Secretary **Margarito B. Teves** (Member); Director **Rogelio W. Manalo** (Chairman); Director **J. Antonio M. Quila** (Member); Finance Undersecretary **Jeremias N. Paul, Jr.** (Alternate to Finance Secretary)

# Executive Committee



*(Clockwise, from top)* **Jose C. Nograles**, President; **Cristina Q. Orbeta**, Executive Vice President, Division 1; **Alma Teresa R. Malanog**, Senior Vice President, Corporate Services Sector; **Ma. Ana Carmela L. Villegas**, Senior Vice President, Management Services Sector; **Sandra A. Diaz**, Senior Vice President, Financial Resource Management and Comptrollership Sector; **Romeo M. Mendoza, Jr.**, General Counsel; and **Imelda S. Singzon**, Executive Vice President, Division 2

# Management Committee



## Advocacy and Governance

*(Standing, left to right)* **Cristine C. Remollo**, First Vice President, Legal Services Group; **Ma. Ester D. Hanopol**, Vice President, Planning and Policy Group; **Maria Leonida Fres-Felix**, Vice President, Communications and Stakeholder Relations Group

*(Seated, left to right)* **Ma. Antonette B. Bolivar**, First Vice President, Litigation and Investigation Group; **Ma. Ana Carmela L. Villegas**, Senior Vice President, Management Services Sector; **Jose C. Nograles**, President; and **Romeo M. Mendoza, Jr.**, General Counsel

# Management Committee



## Operations - Division 1

*(Standing, left to right)* **Eden Tita J. Dizon**, Vice President, Asset Management and Disposal Group; **Cynthia B. Marcelo**, Vice President, Insurance and Risk Assessment Services Group; **Nina Noreen A. Jacinto**, Vice President, Administrative Services Group

*(Seated, left to right)* **Josefina J. Velilla**, First Vice President, Risk Assessment and Resolution Group 1; **Cristina Q. Orbeta**, Executive Vice President, Division 1; and **Alma Teresa R. Malanog**, Senior Vice President, Corporate Services Sector

# Management Committee



## Operations - Division 2

*(Standing, left to right)* **Teresita D. Gonzales**, Vice President, Receivership and Liquidation Group 1; **Lilian I. Serna**, Vice President, Insurance Claims Group; **Geronimo V. Ambe**, Vice President, Comptrollership Group; **Irene DL. Arroyo**, Vice President, Financial Resource Management Group

*(Seated, left to right)* **Sandra A. Diaz**, Senior Vice President, Financial Resource Management and Comptrollership Sector; **Imelda S. Singzon**, Executive Vice President, Division 2; **Elizabeth E. Oller**, First Vice President, CRL Services Group; and **Nancy Sevilla-Samson**, Vice President, Receivership and Liquidation Group 2

**MICHAEL A. OSMEÑA**

(July 4, 2006 - September 17, 2007)



- President, Philippine Deposit Insurance Corporation (PDIC) and Vice Chairman, PDIC Board *(July 20, 2007 - September 17, 2007)*
- Member, International Association of Deposit Insurers (IADI) Executive Council *(November 2006 - September 17, 2007)*
- Director, Philippine National Bank *(May 2007 - September 2007)*
- Director, Philippine Bank of Communications *(July 13, 2006 - September 17, 2007)*
- Acting President, PDIC and Acting Vice Chairman, PDIC Board *(July 4, 2006 - July 19, 2007)*
- Former Senior Vice President, ABN-AMRO *(1999 - 2001)*
- Former Senior Vice President, Bank of America Savings Bank *(1992 - 1998)*
- Former Assistant Vice President, Citibank N. A. *(1977 - 1988)*

# List of Officers as of April 30, 2008

## ADVOCACY AND GOVERNANCE

### OFFICE OF THE PRESIDENT

**Jose C. Nograles**  
President

**Ma. Carmen Rosario Z. Recitas**  
Assistant Department Manager II

#### Office of the Board Chairman

**Rosalia V. De Leon**  
Vice President

#### Office of the Corporate Board Secretary

**Mary Rosalind A. Alarca**  
Department Manager III

**Geoderick E. Carbonell**  
Assistant Department Manager II

### Internal Audit Group

#### IT Audit Department

**Nancy M. Mendoza**  
Department Manager III

**Ludivina P. Carlos**  
Corporate Executive Officer II

#### Internal Audit Department I

**Vivencio M. Maniago**  
Department Manager III

**Cyrus T. Galang**  
Assistant Department Manager II

#### Internal Audit Department II

**Fely D. Reyes**  
Department Manager III

**Marilou G. Miranda**  
Corporate Executive Officer II

### Communications and Stakeholder Relations Group

**Maria Leonida M. Fres-Felix**  
Vice President

#### Depositors Assistance Bureau

**Carol P. Cagalingan**  
Corporate Executive Officer I

#### Corporate Communications Department

**Auramar DO. Calbario**  
Department Manager III

#### PDIC Institutional Relations and Resource Center

**Isabel P. Gaviola**  
Corporate Executive Officer II

## MANAGEMENT SERVICES SECTOR

### Office of the Senior Vice President

**Ma. Ana Carmela L. Villegas**  
Senior Vice President

### Planning and Policy Group

**Ma. Ester D. Hanopol**  
Vice President

#### Policy and Systems Department

**Vanessa Esther G. Manalo**  
Corporate Executive Officer II

**Sheila Marie I. Aquino**  
Corporate Executive Officer I

#### Planning and Information Management Department

**Jose G. Villaret, Jr.**  
Department Manager III

**Antonio L. Panaligan**  
Corporate Executive Officer II

**Josefina May G. Tatu**  
Corporate Executive Officer II

### Information Technology Group

#### IT Services Department

**Renar M. Gonzales**  
Department Manager III

**Madelaine Barbara M. Fernandez**  
Assistant Department Manager II

#### IT Solutions Department

**Jose Alex P. Mercado**  
Assistant Department Manager II

**Jose Alexander G. Festin**  
Corporate Executive Officer II

**Jose P. Miano**  
Corporate Executive Officer II

## LEGAL AFFAIRS SECTOR

### Office of the General Counsel

**Romeo M. Mendoza, Jr.**  
General Counsel

### 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

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 Risk and Compliance  
Management Department

**Nilo Aldrin M. Lucinario**

Assistant Vice President

**Delilah Grace V. Magtolis**

Assistant Department Manager II

**Josefina J. Sambolawan**

Legal Officer V

**Litigation and Investigation Group**

**Ma. Antonette B. Bolivar**

First Vice President

Litigation Department

**Gilroy V. Billones**

Assistant Department Manager II

**Romel M. Barrera**

Assistant Department Manager II

**Raymond C. De Lemos**

Legal Officer V

**Mildred J. Marquez**

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

**OPERATIONS - DIVISION 1**

**OFFICE OF THE EXECUTIVE VICE PRESIDENT**

**Cristina Q. Orbeta**

Executive Vice President

**Christopher G. Suguitan**

Assistant Department Manager II

**Insurance and Risk Assessment  
Services Group**

**Cynthia B. Marcelo**

Vice President

Insurance and Risk Assessment  
Data Department

**Angel B. Obrero**

Department Manager III

**Daisy Ann T. Alagos**

Corporate Executive Officer II

**Ma. Lenita I. Floriza**

Corporate Executive Officer II

FA Monitoring Department

**Polo L. Pantaleon, Jr.**

Department Manager III

**Herminia S. Morales**

Corporate Executive Officer II

**Risk Assessment and Resolution Group I**

**Josefina J. Velilla**

First Vice President

Risk Assessment and Resolution  
Department I

**Josefina F. Songalia**

Assistant Department Manager II

**George Benedict O. Carreon**  
Corporate Executive Officer II

**Ferdinand P. Robes**  
Corporate Executive Officer II

*Risk Assessment and Resolution  
Department II*

**Emma B. Ochosa**  
Assistant Department Manager II

**Maileen M. Maloles**  
Corporate Executive Officer II

*Risk Assessment and Resolution  
Department III*

**Marlowe F. Mikin**  
Department Manager III

**Marnie C. Lascano**  
Corporate Executive Officer II

#### **Risk Assessment and Resolution Group II**

*Risk Assessment and Resolution  
Department IV*

**Josefina R. Fajardo**  
Assistant Department Manager II

**Bernadette G. Rosuelo**  
Corporate Executive Officer II

*Risk Assessment and Resolution  
Department V*

**Shirley G. Felix**  
Assistant Vice President

**Elizabeth R. Padolina**  
Corporate Executive Officer II

*Risk Assessment and Resolution  
Department VI*

**Beatriz R. Angeles**  
Corporate Executive Officer II

#### **Asset Management and Disposal Group**

**Eden Tita J. Dizon**  
Vice President

*ROPA Management and Disposal  
Department*

**Ma. Frecelyn M. Haw**  
Corporate Executive Officer II

**Ma. Jozzenne Claire M. Beltran-Carandang**  
Corporate Executive Officer II

*Loan Administration and Monitoring  
Department*

**Rossana V. Castalla**  
Department Manager III

**Jesus C. Apuan**  
Assistant Department Manager II

**Ma. Leah Marissa R. Embuido**  
Corporate Executive Officer II

**Esperanza L. Chingcuangco**  
Corporate Executive Officer II

#### **CORPORATE SERVICES SECTOR**

##### **Office of the Senior Vice President**

**Alma Teresa R. Malanog**  
Senior Vice President

##### **Administrative Services Group**

**Nina Noreen A. Jacinto**  
Vice President

*Procurement, Property Management  
and Records Department*

**Carmelyne J. Reyes**  
Department Manager III

**Braulio B. Bumanglag**  
Corporate Executive Officer II

**Ricardo D. Antonio**  
Corporate Executive Officer I

**Victoria P. Blaza**  
Corporate Executive Officer I

*General Services Department*

**Jesus Maria Jose L. Borja**  
Department Manager III

**Ernesto R. Torres, Jr.**  
Corporate Executive Officer II

**Hernando L. Catigbe**  
Corporate Executive Officer I

#### **Human Resource Management and Development Group**

*Human Resource Management  
Department*

**Marie Hazel V. Ciriaco**  
Department Manager III

**Virgilio C. Estanislao**  
Corporate Executive Officer II

**Arlene T. Pangilinan**  
Corporate Executive Officer II

**Ma. Teresa C. Vestal**  
Corporate Executive Officer II

Organization and Human Resource  
Development Department

**Irmina D. Sicio**  
Department Manager III

**Asuncion S. Calapan**  
Assistant Department Manager II

**Eugene V. Borlongan**  
Corporate Executive Officer II

**OPERATIONS - DIVISION 2**

**OFFICE OF THE EXECUTIVE VICE PRESIDENT**

**Imelda S. Singzon**  
Executive Vice President

**FINANCIAL RESOURCE MANAGEMENT AND  
COMPTROLLERSHIP SECTOR**

**Office of the Senior Vice President**

**Sandra A. Diaz**  
Senior Vice President

**Financial Resource Management Group**

**Irene DL. Arroyo**  
Vice President

Financial Resource Management  
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

**Comptrollership Group**

**Geronimo V. Ambe**  
Vice President

Comptrollership Department I

**Quralene P. Patalinghug**  
Department Manager III

**Salud E. Margajay**  
Corporate Executive Officer II

Comptrollership Department II

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Department Manager III

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Corporate Executive Officer II

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Corporate Executive Officer II

**Insurance Claims Group**

**Lilian I. Serna**  
Vice President

Presettlement Examination Department

**Luisito M. Carreon**  
Assistant Vice President

**Evangeline T. Rigayen**  
Assistant Department Manager II

**Nerilyn O. Abogado**  
Corporate Executive Officer II

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Corporate Executive Officer II

Claims Processing Department

**Elaine B. Deticio**  
Assistant Vice President

**Mila O. Tamayo**  
Corporate Executive Officer II

Claims Settlement Department

**Merlie M. Cañaverall**  
Department Manager III

**Rosenda L. Barril**  
Corporate Executive Officer II

**Eloida B. Indorte**  
Corporate Executive Officer II

**Receivership and Liquidation Group I**

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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

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Department Manager III

**Leon C. Cabradilla**  
Corporate Executive Officer II

Receivership and Liquidation  
Department I-C

**Ferdinand M. Beluan**  
Department Manager III

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Corporate Executive Officer II

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Corporate Executive Officer II

**Josefina S. San Pedro**

Corporate Executive Officer II

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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  
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Department Manager III

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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**

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**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

**CRL Services Group****Elizabeth E. Oller**

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**Marivic C. Puzon**

Corporate Executive Officer II

CRL Legal Services Section**Renato N. Garay**

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**Nelson G. Portacio**

Legal Officer V

CRL Data and Operations Control  
Department**Ma. Theresa B. Salcor**

Department Manager III

**Thelma B. Arias**

Corporate Executive Officer II

**Dorothy C. Eamilao**

Corporate Executive Officer II

**Emerson M. Lomio**

Corporate Executive Officer II

R/L Administrative and Special Services  
Department**Teresa H. Garcia**

Assistant Vice President

**Editha D. Tumang**

Corporate Executive Officer I

Property Appraisal Department**Recaredo Leighton A. Tamayo**

Department Manager III

**Minviluz O. Rubrico**

Corporate Executive Officer II

# PDIC Roll as of December 31, 2007

## A

Abadilla, Fernando S.  
 Aban, Alexis A.  
 Abeleda, Sonia A.  
 Abenis, Maria Salome C.  
 Abiera, Dennis Y.  
 Abogado, Nerilyn O.  
 Abriam, Cherryl S.  
 Acosta, Aileen Lou C.  
 Acosta, Alejandro Jr. S.  
 Acosta, Bettina N.  
 Aduana, Gerhardus C.  
 Agabao, Lenin D.  
 Aganon, Ariston P.  
 Agnes, Ma. Caridad R.  
 Aguila, Janet B.  
 Aguilar, Rosemarie O.  
 Agustin, Jenelyn P.  
 Alagos, Daisy Ann T.  
 Alambra, Loida A.  
 Alarca, Mary Rosalind A.  
 Alcoba, Ariel M.  
 Ambe, Geronimo V.  
 Amigle, Noreen R.  
 Andes, Joan P.  
 Andrada, Jovy R.  
 Angeles, Beatriz R.  
 Angeles, Ronald C.  
 Ani, Jacqueline I.  
 Aningalan, Racelle B.  
 Antonio, Florante Jr. F.  
 Antonio, Maria Gracia N.  
 Antonio, Niña M.  
 Antonio, Ricardo D.  
 Apolinario, Cely E.  
 Apuan, Jesus C.  
 Aquino, Ernesto C.  
 Aquino, Sheila Marie I.  
 Arcangel, Ma. Theresa M.  
 Arellano, Rosita R.  
 Arias, Thelma B.  
 Arizala, Aura Marina R.  
 Arriola, Marivic C.  
 Arriola, Romeo C.  
 Arroyo, Irene D.L.  
 Ascaño, 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.  
 Baldono, Sheila Marie C.  
 Baltazar, Ma. Paz V.  
 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.  
 Batay, Rosalyn D.  
 Bautista, Grace V.  
 Baylon, Josielyn S.  
 Bello, Sherwin Z.  
 Bello, Virginia D.  
 Beltran-Carandang, Ma. Jozzenne Claire M.  
 Beluan, Ferdinand M.  
 Bendaña, Jose A.  
 Billones, Gilroy V.  
 Bitang, Democrito L.  
 Blaza, Victoria P.  
 Bolivar, Ma. Antonette B.  
 Boñula, Fernando S.  
 Boone, Aniceta A.  
 Borja, Jesus Maria Jose L.  
 Borlaza, Cynthia G.  
 Borlongan, Eugene V.  
 Briones, Erolyn R.  
 Briones, Guillermo A.  
 Bueno, Princess L.  
 Bugayong, Danilo B.  
 Buiquil, Rene C.  
 Buising, Marymer D.  
 Bulong, Joseph S.  
 Bumanglag, Braulio B.  
 Buna, Lanie A.  
 Bundalian, Glenda G.

## C

Caba, Phedilyn R.  
 Cabalatangan, Milajoy C.  
 Cabradilla, Leon C.  
 Cadera, Mardonio C.  
 Cagalingan, Carol P.  
 Calapan, Asuncion S.  
 Calbario, Auramar D. O.  
 Calleja, Ma. Evangeline P.  
 Calleja, Thelma C.  
 Calub, Marilou D.  
 Calvez, Vilma Y.  
 Canapi, Laarni L.  
 Cañaver, 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.  
 Casia, Thelma A.  
 Casiguran, Merlyn F.  
 Casiño, 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.  
 Centino, Ofelia M.  
 Cerdon, Jesse S.  
 Chingcuangco, Esperanza L.  
 Ciriaco, Marie Hazel V.  
 Collo, Niña 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.  
 Cruz, Clarinda T.  
 Cuison, Mary Catherine Z.  
 Cunanan, Ma. Guadalupe V.  
 Custodio, Angelito A.

**D**

Dabi, Sandra V.  
 Dadpaas, Miriam B.  
 Datingaling, Estelita R.  
 Dato, Clarence E.  
 Datu, Flordelis M.  
 Datu, Marylyn I.  
 Dayog, Lily F.  
 De Guzman-Basañes, Carey F.  
 De Jesus, Menard B.  
 De Lemos, Raymond C.  
 De Leon, Alicia M.  
 De Leon, Evangeline Q.  
 De Leon, Joan S.  
 De Leon, Ma. Victoria J.  
 De Leon, Rafael D.  
 De Leon, Rosalia V.  
 De Mesa, Ma. Lourdes G.  
 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 Peña, Maximo Jr. C.  
 Dela Rosa, Franklin M.  
 Delloso, Mark Anthony L.  
 Delos Reyes, Noel Q.  
 Deticio, Elaine B.  
 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.  
 Evangelista, Irene Mercedes D.

**F**

Fajardo, Josefina R.  
 Famor, Joel B.  
 Famularcano, Maelyn S.  
 Faune, Lynn N.  
 Felix, Shirley G.  
 Felix, Yasmin Corazon B.  
 Fernandez, Madelaine Barbara M.  
 Fernando, Modesto Jr. Y.  
 Ferreras, Venus V.  
 Festin, Jose Alexander G.  
 Firmeza, Arlene Florence E.  
 Flestado, Ma. Angelette I.  
 Flores, Elma L.  
 Flores, Roberto G.  
 Floriza, Ma. Lenita I.  
 Formaran, Lilibeth R.  
 Francisco, Ma. Luz B.  
 Franco, Gerardo C.  
 Fres-Felix, Maria Leonida M.

**G**

Gacayan, Cynthia V.  
 Galang, Cyrus T.  
 Galosmo, Fredy S.  
 Gana, Jose Mari C.  
 Garay, Renato N.  
 Garcia, Renato C.  
 Garcia, Teresa H.  
 Gatdula, Lawrence C.  
 Gatpatan, Edgar G.  
 Gaviola, Isabel P.  
 Gayla, Ma. Nenita N.  
 Gayondato, Divina C.  
 Gayondato, Louella Belle L.  
 Geloca, Imelda V.  
 Gepila, Mary Jane G.

Gildo, Casilda P.  
 Gloriani, Imelda L.  
 Go, Rosalyn M.  
 Gonzales, Renar M.  
 Gonzales, Teresita D.  
 Granada, Cherryl V.  
 Granil, Gerardo A.  
 Gualberto, Reiza Joy F.  
 Guerrero, Napoleon Joey A.  
 Guico, Ana Liza F.  
 Guintu, Ma. Teresa C.  
 Guña, Alex L.

**H**

Haber, Elmer Juan C.  
 Hanopol, Ma. Ester D.  
 Haw, Ma. Frecelyn M.  
 Hernando, Arlene R.  
 Herrera, Peter Noel P.  
 Hirang, Teodoro Jose D.  
 Hortelano, Francis Randy J.

**I**

Ileto, Oliver R.  
 Indorte, Eloida B.  
 Infante, Shiela Grace M.

**J**

Jacinto, Nina Noreen A.  
 Janda, Erickzon M.  
 Jandusay, Joel B.  
 Jao, Jason C.  
 Javillo, Jonathan L.  
 Jose, Jacqueline O.  
 Jose, Napoleon D.  
 Joven, Celia D.  
 Juaño, Ada C.  
 Jurado, Rizalyn P.

**K**

Kimpo, Gamaliel F.

**L**

Labatorio, Anne M.  
 Lacao, Famela Pat B.  
 Ladra, Luisito H.  
 Landicho, Wennie C.  
 Lao, Aileen B.  
 Lao, Analinda C.  
 Lapinid, Evangeline B.  
 Laquian, Anicetas C.  
 Larang, Ana Lyn E.  
 Laresma, Luis D.

Lascano, Marnie C.  
 Latayon, Judalyn C.  
 Layno, Jocelyn M.  
 Legaspi, Lionel N.  
 Lesigues, Victoriano C.  
 Literal, Nanete Q.  
 Llamoso, Helen V.  
 Llana, Maria Flora C.  
 Lomio, Emerson M.  
 Loyola, Michelle C.  
 Loyola, Reynalisa D.  
 Luanzon, Ma. Pola S.  
 Lucinario, Nilo Aldrin M.  
 Lucos, Florante D.  
 Lumaquez, Jeffrey L.  
 Lumban, Ma. Sarah A.  
 Lumiguen, Janice E.

## M

Maan, Alicia J.  
 Macadangdang, Glinda R.  
 Macaspac, Jerome B.  
 Magcase, Airene V.  
 Magday, Benefico M.  
 Magsakay, Trinidad F.  
 Magsino, Imelda K.  
 Magtolis, Delilah Grace V.  
 Malanog, Alma Teresa R.  
 Maloles, Maileen M.  
 Mana-ay, Lorio G.  
 Manahan, Helen M.  
 Manalo, Vanessa Esther G.  
 Manarpaac, Amor P.  
 Maniago, Vivencio M.  
 Mansos, Rodelia R.  
 Manuel, Rogelio Jr. D.  
 Manzala, Venus P.  
 Manzanares, Mauricia C.  
 Marbella, Hilario N.  
 Marcelo, Cynthia B.  
 Marcelo, Joselita L.  
 Marcelo, Maricel M.  
 Marcilla, Josette Sonia H.  
 Marco, Jonnah Mae C.  
 Margajay, Salud E.  
 Marges, Eliezer M.  
 Marges, Realinda R.  
 Marquez, Mildred J.  
 Marquez, Rowena P.  
 Martinez, Luisa F.  
 Matabang, Apolonio M.  
 Mateo, Carmina V.  
 Matutina, Caroline R.

Melo, Emily V.  
 Mendoza, Edgardo L.  
 Mendoza, Joselito S.  
 Mendoza, Liwanag R.  
 Mendoza, Luisito Z.  
 Mendoza, Mary Ann M.  
 Mendoza, Nancy M.  
 Mendoza, Romeo Jr. M.  
 Mercado, Jose Alex P.  
 Mercado, Regina P.  
 Mercado, Roberto V.  
 Miano, Jose P.  
 Miano, Sergio Jr. B.  
 Mikin, Marlowe F.  
 Mindanao, Jorge Jr. M.  
 Miñoza, Noela C.  
 Miranda, Marilou G.  
 Mojica, Jitendra Rafael S.  
 Molines, Rafael A.  
 Mondero, Vernesa G.  
 Mones, Emmanuelita R.  
 Montes, Josefina F.  
 Monteverde, Helen Evangeline Q.  
 Morales, Herminia S.  
 Morales, Rosalina G.  
 Moreno, Lorna C.  
 Mozar, Ellen M.  
 Musni, Melanie V.

## N

Nadal, Nanita O.  
 Natividad, Ma. Theresa D.  
 Nazareno, Anna Ria P.  
 Nemenzo, Maria Cecilia G.  
 Nepomuceno, Jocelyn J.  
 Nicolas, Fortunato A.  
 Nuevas, Margaret V.

## O

Obrero, Angel B.  
 Ocampo, Sheila Therese P.  
 Ochoa, Emma B.  
 Octavo, Winna Fe B.  
 Olase, Eliza R.  
 Oldan, Jocelyn Giovanna P.  
 Oldan, Joven P.  
 Oller, Elizabeth E.  
 Onesa, Richard T.  
 Orbeta, Cristina Q.  
 Orodio, Roselily E.  
 Ortiz, Amalia T.

## P

Pacis, Arnold L.  
 Padolina, Elizabeth R.  
 Pagharion, Christi Claire R.  
 Palmero, Arlene U.  
 Panaligan, Antonio L.  
 Paneda, Imelda R.  
 Pangan, Reffie M.  
 Panganiban, Jovita Nancy M.  
 Pangilinan, Arlene T.  
 Pantaleon, Artemio J.  
 Pantaleon, Polo Jr. L.  
 Parra, Mario D.  
 Parreno, Edmundo P.  
 Pasamba, Mylene F.  
 Pascual, Ethel C.  
 Pascual, John Henry M.  
 Pascual, Ma. Teresa B.  
 Patalinghug, Quralene P.  
 Patron, Rosanna A.  
 Patron, Vafil V.  
 Payumo, Farrah Belle G.  
 Pe Benito, Romeo V.  
 Penus, Arnel D.  
 Peraja, Marizel B.  
 Peralta, Arlene A.  
 Perez, Josefina B.  
 Permejo, Alicia R.  
 Pico, Ferdinand V.  
 Pineda, Janice N.  
 Pineda, Jocelyn D.  
 Poblete, Lolita B.  
 Poblete, Rosalia S.  
 Policarpio, Carlota S.  
 Portacio, Nelson G.  
 Prado, Andres Jr. A.  
 Punay, Ma. Teresa N.  
 Puno, Allan Joseph L.  
 Putong, Fe. H.  
 Puzon, Marivic C.

## Q

Quemada, Jonah A.  
 Quintano, Ignacio M.

## R

Racelis, Cristina M.  
 Rafales, Wilfredo B.  
 Ragotero, Ma. Salome E.  
 Rama, Nestor M.  
 Ramirez, Joseph Ariel P.  
 Ramirez, Marcia Bella C.  
 Rante, Rodolfo Reynaldo B.

Rebadavia, Jennette C.  
 Recitas, Ma. Carmen Rosario Z.  
 Reformado, Ma. Monita B.  
 Relucio, Ma. Lourdes R.  
 Remollo, Cristine C.  
 Resurreccion, Josette O.  
 Resuta, Edmund Jerome G.  
 Reyes, Carmelyne J.  
 Reyes, Fely D.  
 Reyes, Lillian P.  
 Reyes, Raul C.  
 Reyes, Rey Michael H.  
 Reyes, Ronald L.  
 Ribay, Madeleine C.  
 Rico, Zenaida R.  
 Rigayen, Evangeline T.  
 Rivera, Cecilia C.  
 Rivera, Cristonick V.  
 Rivera, Radamis C.  
 Robes, Ferdinand P.  
 Rodrigo, Ramil B.  
 Rolle, Veronica O.  
 Ronquillo, Claire B.  
 Ronquillo, Wilfredo Jr. E.  
 Roque, Anna Liese L.  
 Rosaceña, Voltaire E.  
 Rosuelo, Bernadette G.  
 Roxas, Shiela Marie P.  
 Rubrico, Minviluz O.

## S

Sabino, Ma. Divina E.  
 Sabino, Robert Dennis S.  
 Sala, Joyce A.  
 Salamanca, Grace G.  
 Salazar, Jesus Jr. G.  
 Salceda, Arnel V.  
 Salcor, Ma. Theresa B.  
 Salgado, Imelda R.  
 Salinas, Emma F.  
 Salonga, Loretta M.  
 Salvo, Ma. Rulina U.  
 Sambolawan, Josefina J.  
 Samonte, Leonor S.  
 Samson, Imelda D.

Samson, Maida G.  
 Samson, Samuelex S.  
 San Pedro, Josefina S.  
 Sanchez, Ma. Bernadette R.  
 Santos, John Ephraim A.  
 Santos, Julita A.  
 Santos, Milet B.  
 Saret, Jaime H.  
 Saura, Edmundo L.  
 Saura, Elisa T.  
 Señá, Hermienigildo Jr. H.  
 Serafin, Evelyn R.  
 Serna, Lillian I.  
 Serrano, Michelle N.  
 Sese, Joseph Emil G.  
 Sevilla-Samson, Nancy L.  
 Siat, Glenn Florentino V.  
 Sicio, Irmina D.  
 Sigua, Meliza M.  
 Simon, Ariel C.  
 Simplicio, Delhi C.  
 Sinco, Lerma E.  
 Singzon, Imelda S.  
 Soldevilla, Rosalie L.  
 Solis, Ferdinand S.  
 Solis, Ma. Cristina S.  
 Soltura, Nenita A.  
 Soneja, Lyn L.  
 Songalia, Josefina F.  
 Soriano, Jocelyn A.  
 Soriano, Lani B.  
 Suguitan, Christopher G.  
 Suguitan, Lynette L.  
 Sumawang, Ma. Cecilia C.  
 Sy, Emma D.  
 Sy, Myra S.  
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## T

Tablizo, Edwin M.  
 Tabugader, Thelma M.  
 Tagle, Amabelle L.  
 Tamayo, Mila O.  
 Tamayo, Recaredo Leighton A.  
 Tan, Abella M.

Tan, Manuel C.  
 Tan, Ricky M.  
 Tan, Victoria D.  
 Tanieca, Corazon G.  
 Tatu, Josefina May G.  
 Tolentino, Ionie L.  
 Tongko, Bernardino A.  
 Torres, Andrew Fortunato Jr. D.  
 Torres, Chona H.  
 Torres, Daisy F.  
 Torres, Ernesto Jr. R.  
 Torres, Marcelo M.  
 Trogani, Martina C.  
 Tumang, Editha D.  
 Tumbokon, Nathanael A.  
 Turgo, Aurora P.

## U

Unlayao, Jannel G.

## V

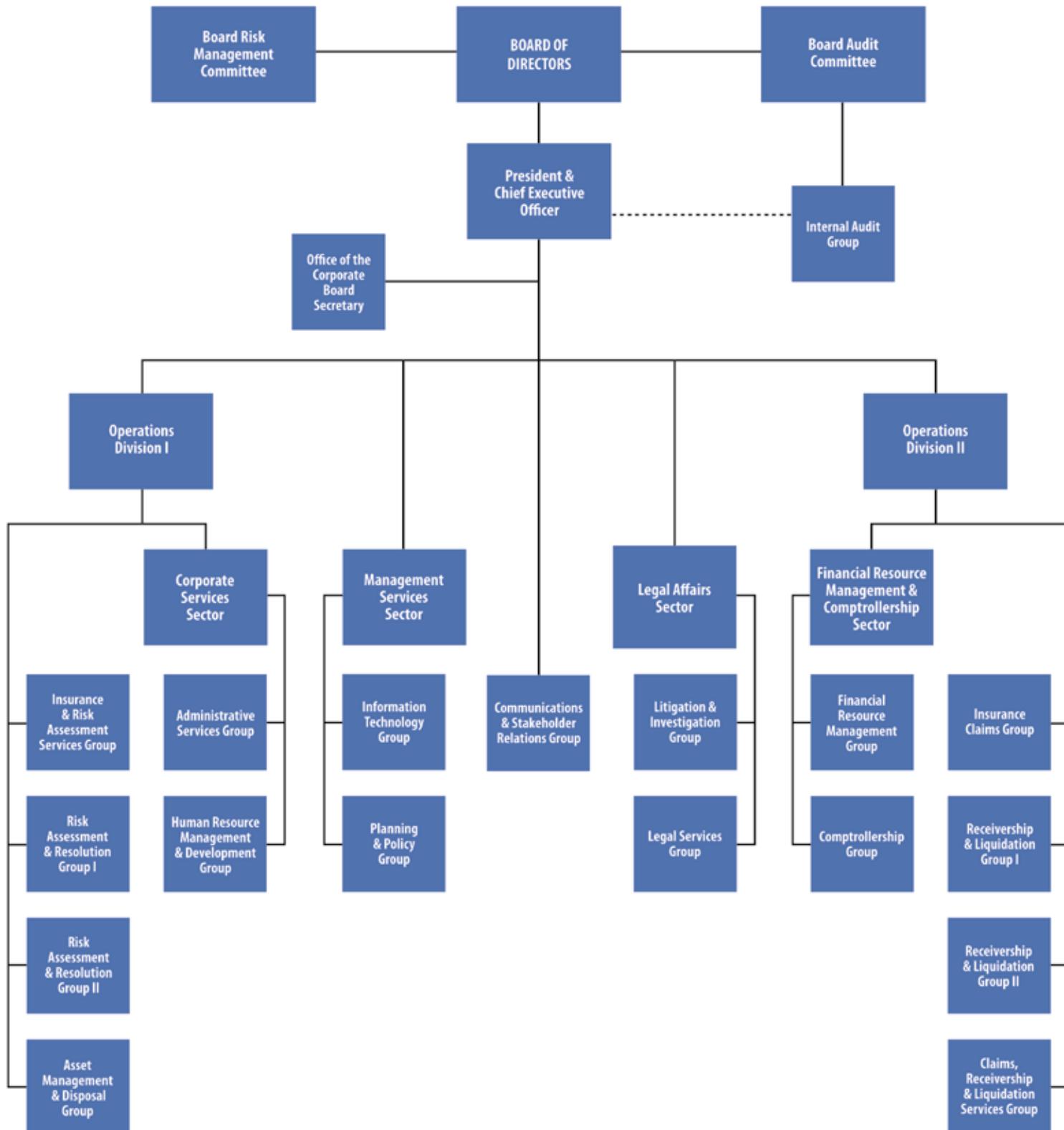
Valdezco, Michael R.  
 Vallada, Ma. Joselyn S.  
 Vallado, Susan Victoria P.  
 Vargas, Ricky R.  
 Vela, Josie T.  
 Velasco, Janet L.  
 Velasquez, Tessie P.  
 Velez, Renato P.  
 Velilla, Josefina J.  
 Vergara, Norman Q.  
 Vestal, Ma. Teresa C.  
 Victoria, Genoveva A.  
 Villaluna, Niño Ray L.  
 Villanueva, Ma. Theresa S.  
 Villanueva, Margarita V.  
 Villareal, Joval L.  
 Villaret, Jose Jr. G.  
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 Villeno, Madeline T.  
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