
# Delivering A Clear Blueprint

**2008 Annual Report**
Philippine Deposit Insurance Corporation

## Mission

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

We shall

- exercise complementary supervision of banks,
- adopt responsive resolution methods,
- ensure prompt settlement of insured deposits, and
- apply efficient management of receivership and liquidation functions

so that the Corporation can contribute to the promotion of public confidence and financial stability in the economy.

## Vision

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

## Core Values

In our commitment to public service, we value:

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


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**PHILIPPINE DEPOSIT INSURANCE CORPORATION**

**JOSE C. NOGRALES**
President

August 2009

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 2008. The Report highlights PDIC's accomplishments and results of operations as it strives to become a world-class organization in depositor protection.

On behalf of the PDIC Board of Directors, management, and staff, I convey our gratitude to Her Excellency more significantly, for her support to the legislative reforms on the PDIC Charter. The amended PDIC Charter was signed into law by Her Excellency on April 29, 2009. With these amendments, PDIC is poised for greater challenges ahead but confident that with its new institutional and financial strengthening authorities, it will be able to better protect the interest of the depositing public and contribute to financial stability.

Very truly yours,

**PHILIPPINE DEPOSIT INSURANCE CORPORATION**

**JOSE C. NOGRALES**
President

August 2009

**Honorable JUAN PONCE ENRILE**
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 present the Annual Report of the Philippine Deposit Insurance Corporation (PDIC) for the year 2008 pursuant to Section 20 of Republic Act 3591, as amended. The Report chronicles PDIC's accomplishments and results of operations to carry out its mandates as deposit insurer, co-regulator of banks, and statutory receiver/liquidator of closed banks.

On behalf of the PDIC Board of Directors, management, and staff, I thank your leadership and strong determination to amend the PDIC Charter to empower the Corporation to enhance depositor protection and thereby build public confidence in the stability of the financial system.

Very truly yours,

## Building on Strength

In 2008, PDIC set its sights on a new vision stated thus: "We will be a world-class organization in depositor protection". Guided by a blueprint focused on benchmarking against global best practices in deposit insurance and International Organization for Standardization (ISO) certification of the Corporation's business processes, we embarked on a journey towards world-class status in order to better serve the public. No sooner had the journey started, when the borderless financial crisis buffeted the global economy. Instead of floundering in the upheaval, we at PDIC, took the challenge as an opportunity to further strengthen the Corporation by pushing for reforms in the PDIC Charter to make it more responsive to the times. The importance of the Charter amendments gained the support of Congress and President Gloria Macapagal-Arroyo signed the new PDIC Charter into law on April 29 the following year.

While we were working for Charter change amidst the choppy waters of the global crisis, we were hit towards the end of the year by the unrelated but similarly unprecedented simultaneous closures of a group of banks collectively known as the Legacy banks. These banks held about P14 billion in deposits contained in around 135,000 accounts. Takeover and deposit insurance claims operations for these simultaneous closures challenged the Corporation's resources, systems and procedures. About half of the workforce, including staff from groups not involved in claims, receivership and liquidation were deployed to 48 banking units nationwide to effect takeover. At the same time, business process reviews and adjustments were made to better serve the public.

I am pleased to report that despite these difficult circumstances, we exceeded performance targets.

Our key performance indicators (KPI) namely, the Turn-Around Time (TAT) for start of payment of deposit insurance claims and the level of Deposit Insurance Fund (DIF) posted figures that reflect the continued vigour shaping PDIC. The average TAT for the payment of insurance claims of 7.5 calendar days was better than the performance standard of 9 calendar days. TAT is the number of days from PDIC's takeover of a closed bank to the start of payout to depositors. The average TAT was based on 10 out of 13 banks closed during the period December 1, 2007 to November 30, 2008[1]. Three banks were excluded from the TAT average because of the extraordinary circumstances surrounding their takeover.

The Corporation settled 99% of total clean claims filed by depositors in the 10 banks that closed from January to September.

The DIF grew by 11.4% to P60.46 billion as of December 31, 2008, compared to P54.27 billion in 2007. DIF was likewise higher than the performance standard of P60.38 billion. Contributing to the growth in DIF is net investment income of P5.65 billion, which surpassed the P5.55 billion target for 2008. Better interest rate environment and prudent fund management sustained net investment income levels and allowed remittance of P284.52 million dividends to the National Government.

PDIC jointly examined with the Bangko Sentral ng Pilipinas (BSP) 16 banks to better assess risk to PDIC. It also conducted independent examination of four banks with outstanding financial assistance to monitor compliance with targets and covenants. The PDIC Board approved the restructuring of the outstanding financial assistance of a bank via conversion of the loan to eligible Tier 1 capital.

In its capacity as receiver of closed banks, the Corporation successfully took over 25 banks ordered closed by the Monetary Board in 2008.

During the year, the Corporation completed 78 Final Projects of Distribution (FPOD) of closed banks under liquidation. Completion of FPODs brings creditors of closed banks a step closer to settlement of their claims, so we continue efforts to fasttrack the process.

These domestic concerns did not deter the Corporation from further strengthening its efforts to fortify linkaging with international deposit insurers and like-minded institutions. PDIC drew heavily from the experience of more mature insurers in addressing problems brought about by the global financial crisis. I was elected as a member of the Executive Council of the International Association of Deposit Insurers (IADI) in October, a signal honor for the Corporation. This recognition is in step with our efforts to move towards a world-class institution.

As a fitting close to an eventful year, the Corporation garnered the first ***"Gawad Pampublikong Korporasyon Award"*** from the Office of the Government Corporate Counsel (OGCC). The award, given in Malacañang, was in cognizance of PDIC's contributions in the field of depositor protection through financial literacy education.

These achievements cap the first phase of our journey to becoming a world-class organization. Guided by our blueprint of international benchmarking and ISO certification of operations and buoyed by our Corporate values of integrity, professionalism, excellence, teamwork and respect for all people, we are building on our strengths to claim a future we are creating today.

**Jose C. Nograles**

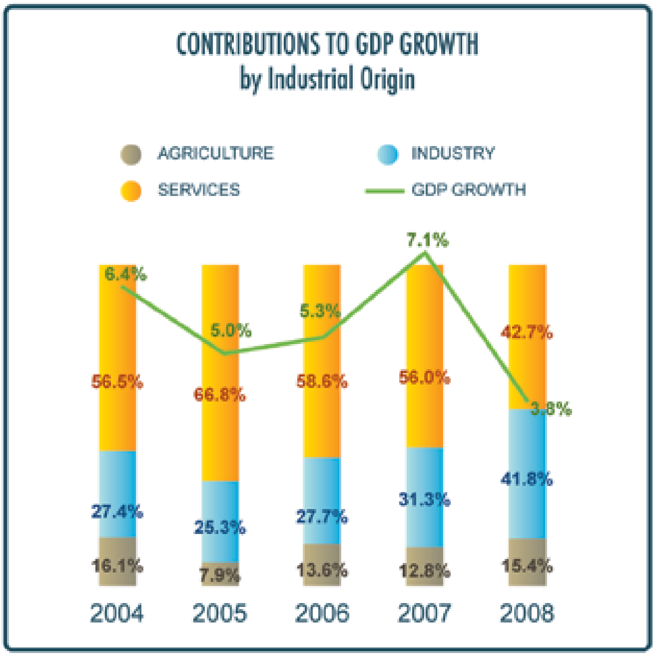
[1] *This excludes 15 banks closed in December.*

# Economy and Banking

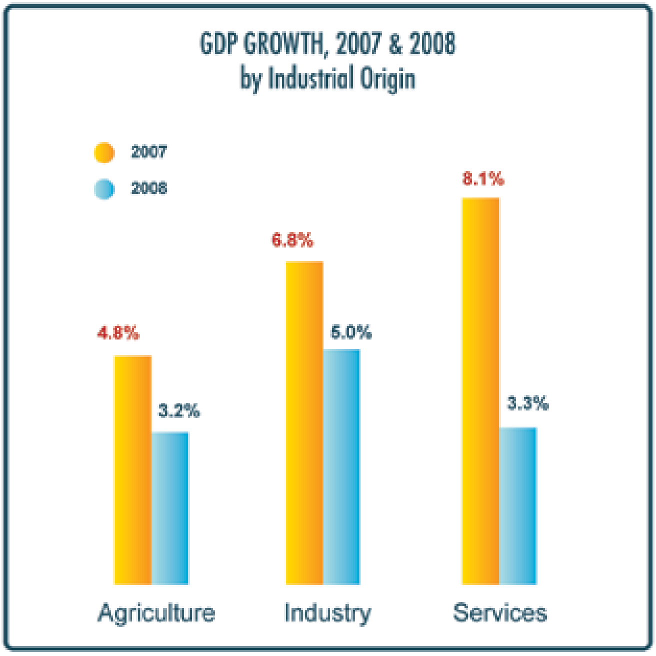
## **The Economy:** Trends and Challenges

**Growth decelerated in 2008.** The sub-prime credit crisis and the ensuing global financial crisis coupled with record-high oil prices dampened the country's economic growth in 2008. Gross Domestic Product (GDP) growth decelerated to 3.8% in 2008, much slower than the 7.1% growth posted in 2007.

Despite the slowdown, there were nevertheless bright spots in the economy. By industrial origin, the Industry sector grew fastest at 5.0%, overtaking the Services sector which grew by only 3.3%. The Agriculture sector grew slowest at 3.2%.

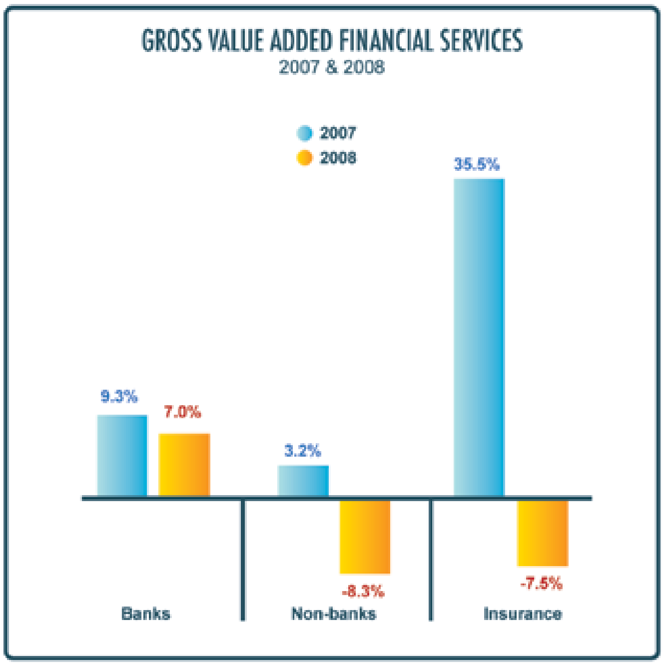



Source: NSCB




Source: NSCB

The Services sector, which had accounted for more than 50% of GDP growth since 2004, grew at its slowest pace in 2008 and accounted for only 42.7% of growth. All sub-sectors posted slower growth rates except government services. Financial Services grew by 2.5% despite the contraction in Non-banks and Insurance by 8.3% and 7.5%, respectively, as Banks posted growth of 7.0%.

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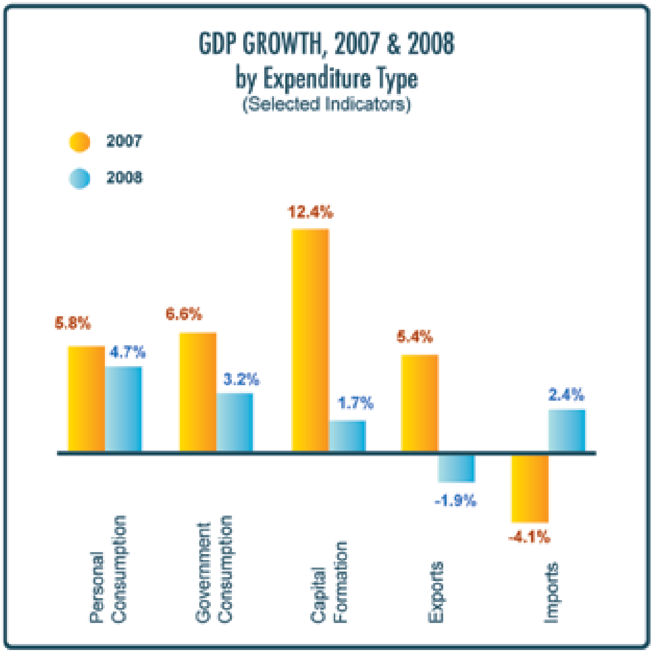
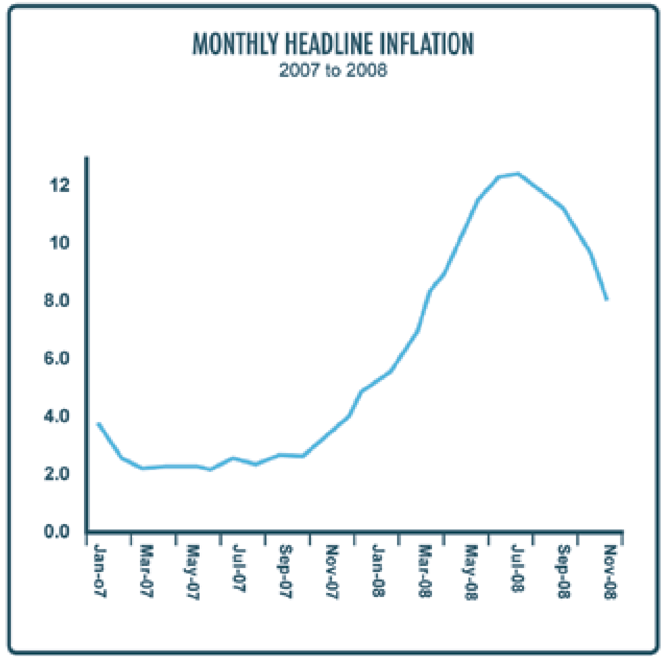



Source: NSCB

**Prices.** From 4.9% in January, headline inflation peaked at 12.4% in August as prices of oil in the world markets reached a record US$147.3 per barrel on 12 July 2008 before tapering to 8.0% in December. The average headline inflation for the year was 9.3%, more than three times the 2.3% posted for 2007.

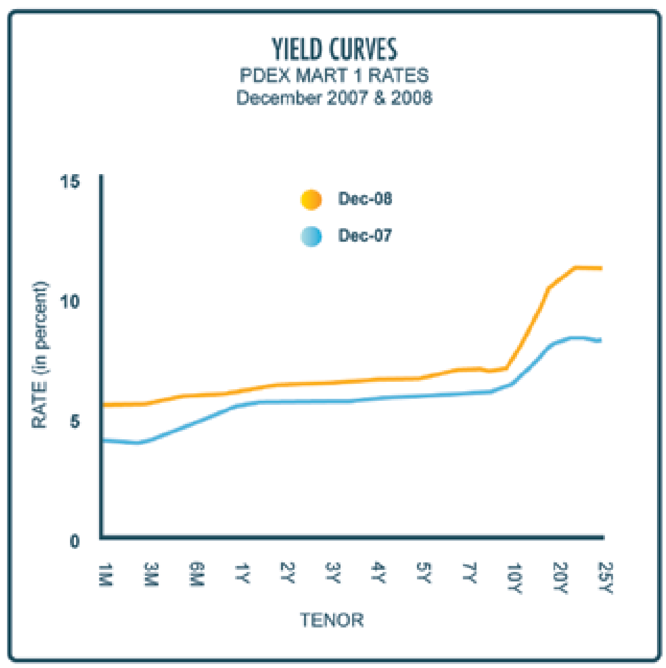



Source: NSO

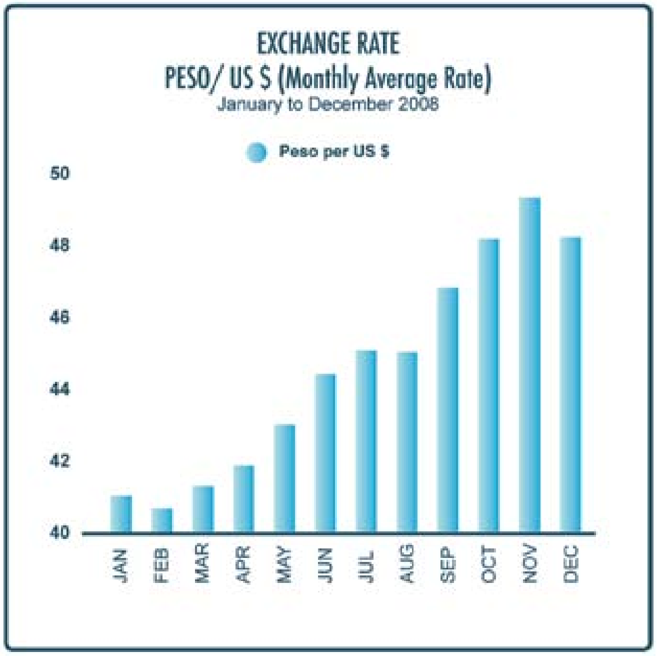
**Interest Rates.** As inflation accelerated, interest rates followed as rates for all tenors of government securities (treasury bills and bonds) traded in the primary and secondary markets were higher in 2008. The yield curve was steepest in the months of October and November but shifted down by end-December, but still higher than year-ago levels.

The policy rates of the Bangko Sentral ng Pilipinas (BSP) were unchanged for the first five months of the year with the reverse repurchase (RRP) or borrowing rate kept at 5.0% and the repurchase (RP) or lending rate at 7.0%. Policy rates began to be adjusted upwards by the BSP in June and peaked at 6.0% and 8.0%, respectively from August to November. The rates were lowered by 50 basis points in December as inflation pressures eased.

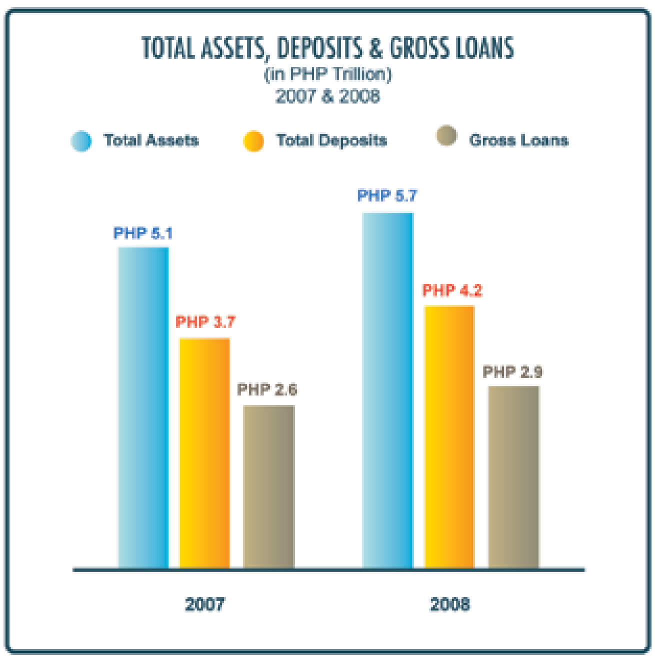
Interest rates on bank deposits and lendings mimicked the rate movement of government securities and also peaked in November and adjusted slightly down by December.




Source: PDEX




Source: BSP




Source: PDIC

**Foreign Exchange.** The peso reversed its course of appreciation against the US dollar in 2008. From an average of P40.9 per US dollar in January, the peso depreciated to P49.2 by November and settled at P48.1 by December. The peso was not alone in weakening against the US dollar as most Asian currencies, except the Japanese yen and the Chinese yuan, depreciated against the US dollar.

**Outlook.** Despite the global economic slowdown, the government expects the economy to continue to grow but at a slower pace for 2009. Increased government spending for infrastructure projects, complemented by an accommodative stance from the BSP are expected to stimulate growth to combat recession.

## **Banking Sector:** Developments and Outlook.

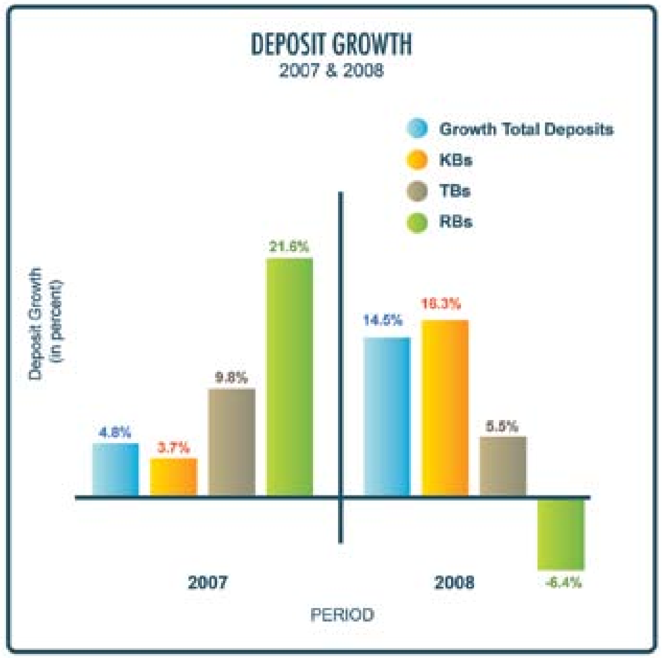
For the past year, Philippine banks have remained resilient and continued to improve their balance sheets amidst the global financial turmoil.

**Asset expansion continued, funded mainly by deposit growth.** Total assets of the banking system increased by 10.7% to P5.7 trillion, funded primarily by deposits which grew by 14.5% to P4.2 trillion. Cash on hand increased the most by 49.0% to P128.7 billion from P86.4 billion, followed by deposits in other banks which increased by 25.7% to P231.7 billion and gross lending grew by 12.7% to P2.9 trillion.

Commercial banks (KBs) experienced the highest deposit growth for the year at 16.3%, while thrift banks (TBs) posted only single-digit growth of 5.5%. On the other hand, rural banks (RBs) registered a deposit decline of 6.4%. The situation is a reversal of last year when KBs experienced the least growth at only 3.7% while RBs experienced a 21.6% growth in deposits.

KBs continued to account for the bulk of deposits, expanding its share to 88.3% of total deposits, from 86.9%. The share of TBs declined to 9.2% from 10.0% and share of RBs dropped to 2.6% from 3.1% in 2007.

Per deposit type, Savings deposits still comprised the bulk of deposits although its share to total deposits shrank to 43.0% from 45.2%. On the other hand, the share of Time deposits expanded to 40.4% from 38.7% while the share of Demand and NOW deposits also expanded to 16.6% from 16.1%.

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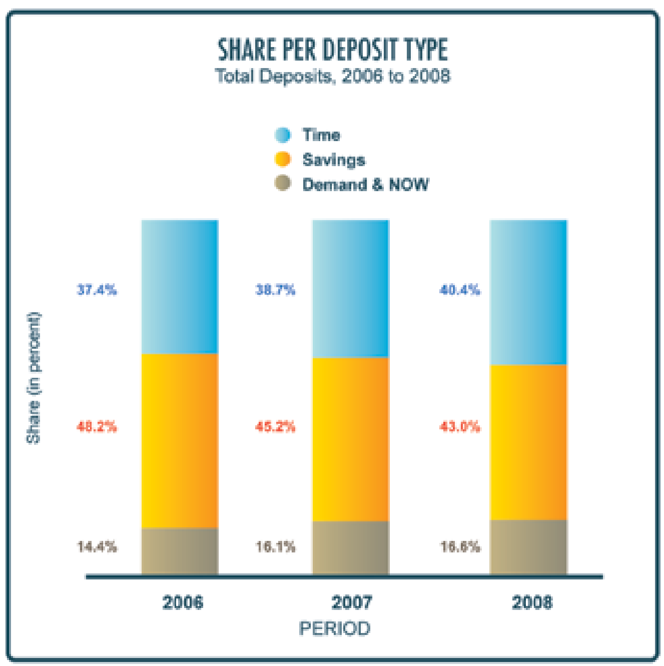


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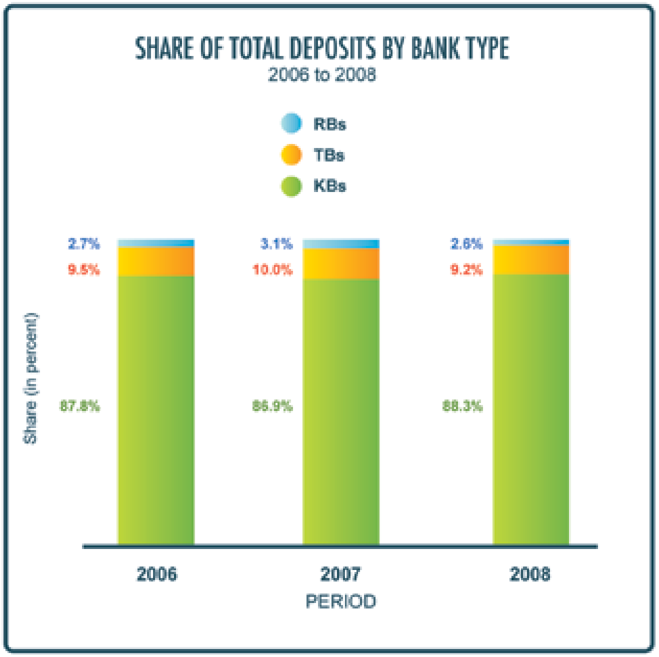


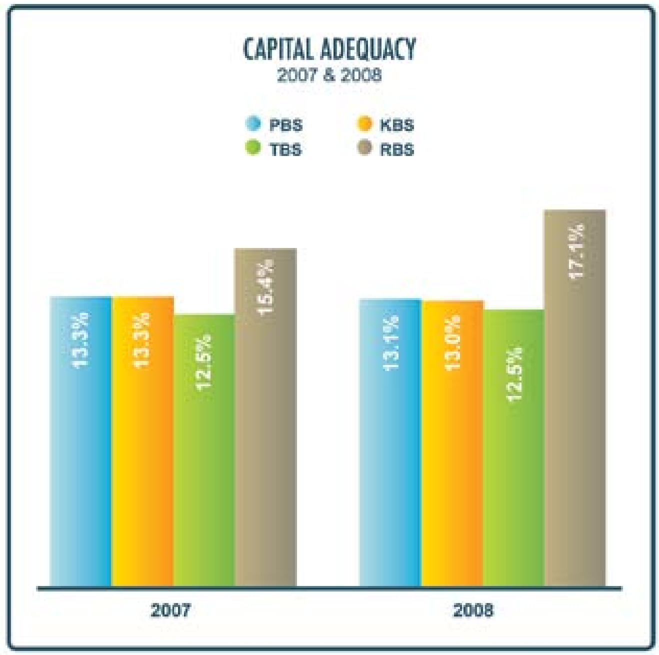

Source: PDIC

**Banks' asset quality improved.** By the end of 2008, the ratios of non-performing loans (NPLs) to gross loans and non-performing assets (NPAs) to total assets of Philippine banks approached pre-Asian crisis levels. Banks' NPL and NPA ratios further improved to 4.8% and 5.4%, from 5.4% and 6.1% the previous year. The NPL ratio went down as gross loans were higher despite the slight increase of total NPLs. On the other hand, the NPA ratio improved as NPAs were lower and total assets expanded. The improvement in the NPL ratio of the Philippine Banking System (PBS) came from KBs and RBs with an improvement of 4.2% from 4.8% and 10.3% from 10.5%, respectively. On the other hand, the ratio for TBs deteriorated to 7.8% from 7.4% previously. The improvement in the NPA ratio came from KBs and TBs.


Source: PDIC


Source: PDIC

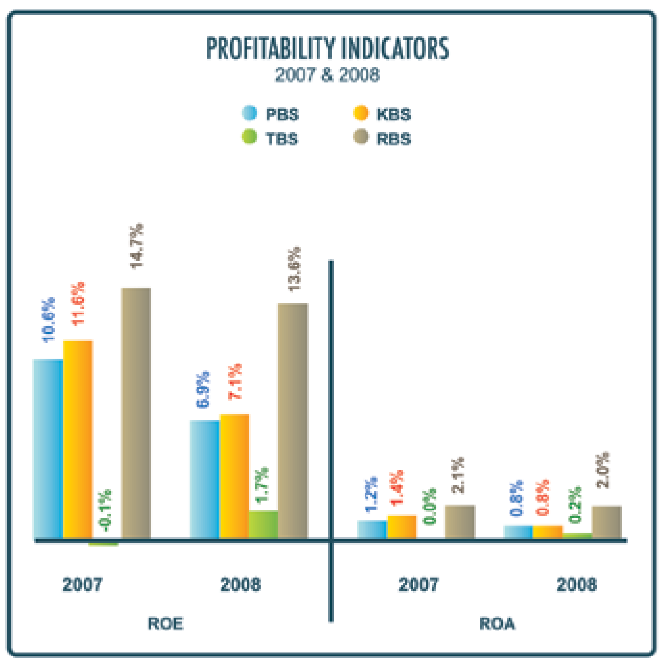
**Capital adequacy of banks remained above prudential levels.** Banks' capital to risk assets ratio was a tad lower at 13.1% from 13.3% in 2007. The ratio declined to 13.0% from 13.3% for KBs, improved to 17.1% from 15.4% for RBs and remained unchanged at 12.5% for TBs. Nevertheless, this was above the 10.0% regulatory requirement of the BSP and 8.0% required by the Bank for International Settlements (BIS).




Source: PDIC

**Profitability remained a challenge.** Bank profitability was adversely affected as banks' return on equity (ROE) dropped to 6.9% from 10.6% and return on assets (ROA) dropped to 0.8% from 1.2%. ROE of TBs improved from -0.1% to 1.7%, but decline in ROE of KBs and RBs pulled down the industry ratio. The lower ROA of KBs and RBs also pulled down the industry ratio despite the slight improvement in the ROA of TBs for 2008. As a group, RBs remained the most profitable posting the highest ROE and ROA for two consecutive years, outperforming the PBS.

Profit after tax was down 33.5% to P41.6 billion despite the growth of interest income. Growth was dragged by the drop in non-interest income together with higher interest and non-interest expense. Interest income was up by 6.4% to P325.4 billion while interest expense and non-interest expense were higher by 2.7% (P141.2 billion) and 3.7% (P192.2 billion), respectively. Non-interest income dropped by 15.0% in 2008 to P84.2 billion.

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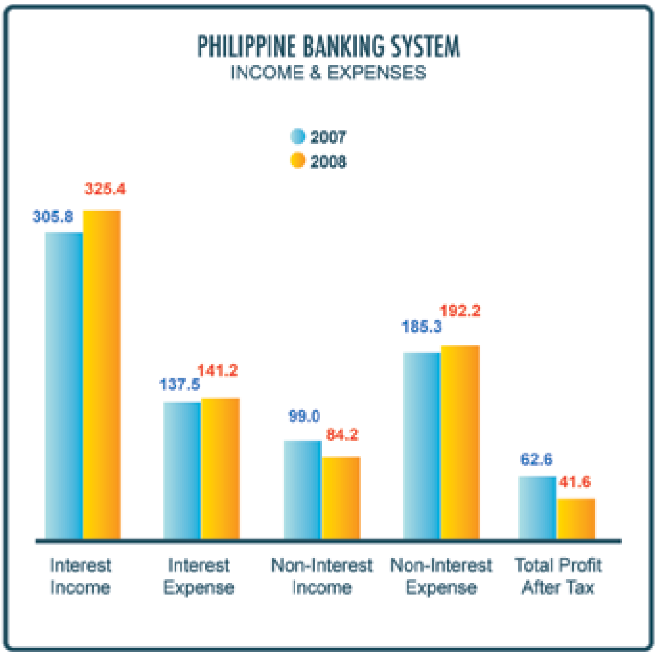
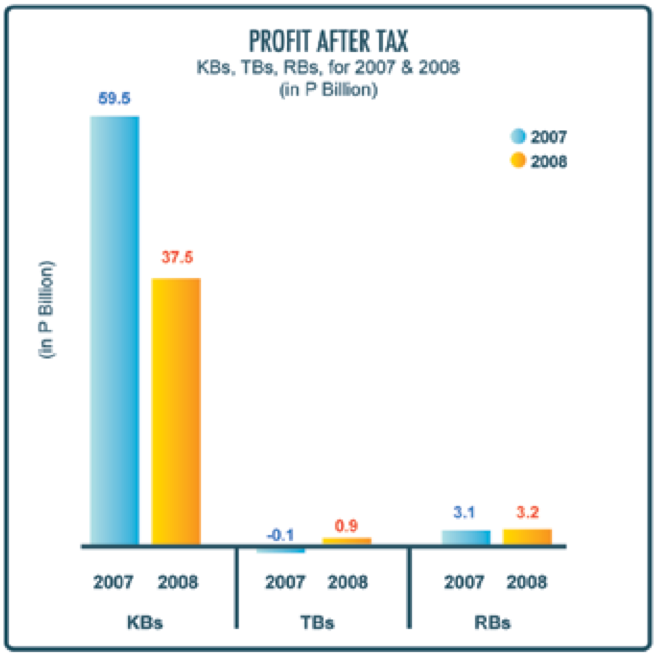



Source: PDIC

By bank type, profit of KBs after tax dropped by 37.0% to P37.5 billion. TBs reversed the net loss of P0.1 billion in 2007 to P0.9 billion profit after tax, and RBs managed to marginally increase profits to P3.2 billion from P3.1 billion.

**Continued Banking System Consolidation.** Although 25 banks were closed in 2008, these closures were not due to the global economic downturn. The system expanded despite the decrease in the number of operating banks, as the banking system's operating network, comprised of head offices and branches, grew to 7,693 by the end of 2008 from 7,543 in 2007. There were four mergers and consolidations in 2008.




Source: PDIC

**Outlook.** The PBS passed a crucial test in 2008. For 2009, the passage of the revised PDIC charter that will provide a higher deposit insurance cover of P500,000 per depositor is a confidence-building measure that is meant to ensure financial stability in the banking system. Other institutional strengthening measures included in the proposed amendments are meant to enable PDIC to protect depositors from unscrupulous practices of unreliable banks.

The stiffer competition in the industry will further narrow profit margins and will pressure banks to come up with innovative products that will cater to retail and consumer banking. Mergers and acquisitions shall continue as the regulatory environment encourages the industry to consolidate into fewer but stronger banks.

# Insurance and Risk Assessment

## Assessment

Despite the slowdown in economic growth, total deposits in the Philippine banking system increased by 14.5% in 2008 to P4.19 trillion, from the previous year's level of P3.65 trillion. Insured deposits at the maximum deposit insurance of P250,000 covered 23% or P964.83 billion of the total. In terms of number of accounts, it covered 95% or 31.13 million out of the total deposit accounts of 32.76 million.

Assessment collections for the year amounted to P7.31 billion or 3.8% higher than the P7.05 billion recorded in 2007. Commercial banks accounted for the bulk of total assessment collection at 87% followed by thrift banks at 10% and rural banks with 3%.

The Corporation is authorized to assess all member-banks at the rate of 1/5 of 1% per annum of the bank's total deposit liabilities.

## Regulatory Issuance on Deposit Record-Keeping

The Corporation constituted a team to monitor compliance by banks with the submission of requirements under the Regulatory Issuance (RI) on Record-keeping of Bank Deposits. Proper record-keeping by banks is vital to protect the interest of depositors. In 2008, 98% of banks complied with the submission requirements. PDIC reviewed submissions of 185 banks compared to its target of 170 banks. The Corporation required banks to address deficiencies in documents submitted and closely monitored, in the course of examination of banks, adherence to procedures on proper deposit record-keeping.

## Financial assistance

The PDIC is authorized under its Charter to implement resolution measures such as the grant of financial assistance to banks in danger of closing. The Corporation may grant financial assistance to a bank when *"the continued operation of such bank is essential to provide adequate banking service in the community or maintain financial stability in the economy."*

The Corporation, at its discretion, may also provide financial assistance in the case of a closed insured bank if the Corporation finds the resumption of operations of such bank vital to the interest of the community or when a severe financial climate exists that threatens the stability of a number of banks with significant resources. In the exercise of its authority to grant financial assistance, PDIC makes a determination that the cost of providing the financial assistance is less than the actual payout and liquidation of the bank involved.

In 2008, the PDIC Board approved the rehabilitation proposal of one bank that involved the conversion of PDIC's outstanding financial assistance to Tier 1 capital.

## Onsite Examination

The Corporation, in coordination with the BSP, conducted joint examinations of 16 banks. Findings in the banks' financial condition and compliance with banking laws, rules and regulations, including PDIC's regulatory issuances (RIs) form the basis for PDIC to recommend appropriate actions or resolutions for the Board's approval. Examination findings also serve as reference guide of the Corporation in the event of bank closure.

As part of regular monitoring of banks under financial assistance, the Corporation likewise performed four independent examinations of banks – three commercial banks and one thrift bank – with outstanding financial assistance. The examination focused on the banks' compliance with contractual terms and conditions for the grant of the financial assistance and the attainment of financial projections and rehabilitation milestones.

The 20 banks examined had outstanding deposit liabilities of P171 billion as of end December 2008 comprising 37.4% of deposits of banks with below average risk rating.

## Management of Acquired Assets

The Corporation resolved 108 non-performing assets (NPAs) with acquisition cost of P1.32 billion. The NPAs were acquired in line with the grant of financial assistance and as payment from closed banks for subrogated deposits. About P1.30 billion consisting of 99 loan accounts were fully settled or restructured. This included a P1.23 billion loan originally restructured in 2004, restructured anew in 2007 and fully paid in 2008. Nine properties were sold for P17.55 million. This brought total cash recoveries to P466.90 million.

To increase recoveries from its NPA pool, PDIC intensified its remedial account management efforts for loan workout and collection. It also started conduct of public bidding of properties in sites where most properties were situated. Previously, biddings were conducted in the PDIC Main Office. The Corporation maximized the use of its website and tapped media as cost-effective measures to transmit information on the bidding and disposal of properties. To expedite resolution and disposal of its remaining acquired assets amounting to P23.55 billion as of end 2008, the Corporation is preparing for portfolio/bulk sale.

Public biddings are conducted to sell assets acquired from financial assistance to banks. In 2008, PDIC resolved 108 non-performing assets with acquisition cost of P1.32 billion.

# Receivership and Liquidation

## Bank Closures

As statutory receiver, PDIC is responsible for administering the affairs of failed banks. This involves the takeover of the bank upon closure, and the management and liquidation of the bank's assets for the benefit of its creditors. The Corporation seeks to effectively fulfill its function of settling valid deposit insurance claims and prudently managing the funds of closed banks.

In 2008, the Corporation took control of 25 banks ordered closed by the Monetary Board. The simultaneous closure of 12 banks involving 48 banking units in December 2008 presented a major operational challenge.

The number of banks under PDIC receivership and liquidation as of end 2008 reached 492, consisting of two commercial banks, 60 thrift banks, and 430 rural banks.

The PDIC Receivership Team pays a courtesy call to heads of local government units during takeover operations.


The PDIC Receivership Team posts notice of closure in the bank premises.

## Banks closed in 2008

| Name of Bank | Head Office Location | Date ordered closed by MB |
|---|---|---|
| 1. Rural Bank of Lupon (Davao Oriental), Inc. | Davao Oriental | 01/10/08 |
| 2. Cooperative Rural Bank of Aklan | Aklan | 01/30/08 |
| 3. Bankwise, Inc. | Metro Manila | 02/07/08 |
| 4. Rural Bank of Silang (Cavite), Inc. | Cavite | 04/03/08 |
| 5. People's Rural Bank of Binmaley (Pangasinan), Inc. | Pangasinan | 04/17/08 |
| 6. G7 Bank, Inc. (Rural Bank of Nabua, Inc.) | Camarines Sur | 07/31/08 |
| 7. Rural Bank of Bamban (Tarlac), Inc. | Tarlac | 08/29/08 |
| 8. Rural Bank of Lambayong (Sultan Kudarat), Inc. | Maguindanao | 08/29/08 |
| 9. Polillo Islands Rural Bank (Quezon), Inc. | Quezon | 09/11/08 |
| 10. New Rural Bank of Guimba (Nueva Ecija), Inc. | Nueva Ecija | 09/11/08 |
| 11. Rural Bank of Parañaque, Inc. | Metro Manila | 12/09/08 |
| 12. Rural Bank of Nueva Caceres (Naga City), Inc. | Camarines Sur | 12/11/08 |
| 13. Rural Bank of San Jose (Batangas), Inc. | Batangas | 12/11/08 |
| 14. Pilipino Rural Bank, Inc. | Cebu | 12/11/08 |
| 15. Rural Bank of Bais (Negros Oriental), Inc. | Negros Oriental | 12/11/08 |
| 16. Bank of East Asia [Banco Rural de Bisayas (Minglanilla, Cebu)], Inc. | Cebu | 12/12/08 |
| 17. First Interstate Bank (Rural Bank of Kananga, Leyte), Inc. | Leyte | 12/12/08 |
| 18. Philippine Countryside Rural Bank (Cebu), Inc. | Cebu | 12/12/08 |
| 19. Dynamic Rural Bank [Rural Bank of Calatagan (Batangas)], Inc. | Batangas | 12/16/08 |
| 20. San Pablo City Development Bank | Laguna | 12/16/08 |
| 21. Community Rural Bank of San Joaquin (Iloilo), Inc. | Iloilo | 12/19/08 |
| 22. Nation Bank, Inc. (A Rural Bank) | Negros Occidental | 12/19/08 |
| 23. Rural Bank of DARBCI (Polomolok, South Cotabato), Inc. | Sarangani | 12/19/08 |
| 24. BDB Bank, Inc., A Rural Bank | Albay | 12/19/08 |
| 25. Rural Bank of Carmen (Cebu), Inc. | Cebu | 12/19/08 |

During receivership, bank records are inventoried and validated to determine the state of affairs of the bank as of PDIC takeover.

## Closed Banks' Assets

The Estimated Realizable Value of Assets (ERVA) of the 492 banks under receivership and liquidation was placed at P31.94 billion as of yearend. ERVA is the projected recoverable amount from the assets of the closed banks given the available documents and information on the status of the assets of the bank. ERVA is updated based on results of due diligence of assets, periodic appraisal and the most current information available. The assets of a closed bank plus proceeds from the sale of said assets together with the unconverted assets are distributed to its creditors, including uninsured depositors in accordance with the rules on concurrence and preference of credits.

The P31.94 billion ERVA of the 492 closed banks as of 2008 was more than double or 122% higher than the P14.40 billion ERVA in 2007. The 25 banks closed during the year recorded a substantial ERVA amounting to P19.51 billion, hence the notable increase in cumulative ERVA as of end 2008. However, since most of these banks, including the 12 Legacy banks, were closed in December, most of the values were based on booked values. It is expected that subsequent adjustments will be considerable. In the case of Real and Other Properties Acquired (ROPA), adjustments will be made upon appraisal of the properties while for Loans and Other Accounts, adjustments will be made on confirmation with borrowers and verification of existence of mortgages.

In 2008, additional revenues from funds-held-in-trust (FHIT) amounted to P273.46 million. On the other hand, withdrawals from FHIT represented operating expenses of banks totalling P77.39 million and disbursements to settle creditors' claims relative to the implementation of FPODs aggregating P264.50 million.


G7 Bank, Inc. was closed on April 17, 2008.

While loans and other assets dominated the ERVA in 2007, this year's ERVA consisted mostly of ROPA of P15.33 billion, accounting for 48% of the total. Loans and other assets of P11.82 billion represented 37% while cash and investment in government securities comprised of P4.79 billion comprised 15%.

Liabilities, on the other hand, amounted to P75.29 billion with P34.75 billion or 46% of the total representing payables to the government.

PDIC, as Receiver, recovered P281.75 million, of which P206.68 million represented loan collections, P51.94 million from asset disposals, and P23.13 million from collections on other receivables and rental income.

Cash recoveries are held in trust and invested in government securities prior to settlement of claims of creditors. As of end 2008, funds held in trust by PDIC on behalf of closed banks amounted to P5.01 billion. This is inclusive of P273 million fund earnings during the year.


PDIC conducts biddings in the various regions to expedite the disposal of assets of closed banks

## ROPA

The Receiver disposes ROPA of banks under liquidation by selling the properties primarily through public bidding. PDIC enters into negotiated sale for these assets in case of failed bidding in line with policy.

In 2008, 478 properties of closed banks with an aggregate value of P214.87 million were offered for sale via public bidding. Only 18 real properties and 6 vehicles were sold for a total of P13.44 million. A total of 63 properties from the current and prior years' inventory were disposed through negotiated sales for an aggregate value of P26.77 million.

## Asset Distribution

The Receiver completed 78 Final Projects Of Distribution (FPOD) approved by the President for a total of 438 approved FPOD as of end 2008. This represents 93% of the 469 closed banks under liquidation as of yearend. FPOD, an allocation plan of the bank's available assets for distribution to creditors, is prepared in accordance with the Rules on Concurrence and Preference of Credits. It is submitted to the Liquidation Court for approval prior to implementation.

The Corporation filed the FPOD of 65 closed banks with the liquidation courts, bringing to 217 the total filings to-date from the 438 approved FPOD. The balance of 221 FPODs already approved by the President are set for filing/updating. The liquidation courts approved the FPOD of 61 closed banks for the year. From these total court-approved FPODs, 35 banks had started distribution of assets to creditors.

# Claims Servicing

When banks fail, attending to the insured depositors is PDIC's immediate and primary concern. PDIC seeks to allay fears of depositors by starting payment of valid deposit insurance claims as soon as possible.

Depositors are assisted during claims receiving operations.

The Corporation was able to start servicing of deposit claims within the single-digit turnaround time (TAT) target despite the number of bank closures and voluminous deposit accounts of banks that closed during the year. TAT refers to the number of days from the date of takeover of the closed bank to the start of claims servicing. The Corporation averaged a TAT of 7.5 calendar days for 10 out of 13 banks taken over by PDIC for the period December 1, 2007 to November 30, 2008. Not included in the computation of TAT were three banks taken over in 2008 under extraordinary circumstances and the 15 banks that were ordered closed almost simultaneously in December 2008.

The 10 banks where a single-digit TAT average was achieved covered 38 banking units. TAT was better than the performance standard of 9 days but longer than last year's level of 6 days.

In 2008, TAT for claims servicing averaged 7.5 calendar days.

PDIC continues to enhance its claims servicing operations to ensure prompt payment of valid deposit insurance claims.

PDIC, as Receiver, serves notice of closure to the highest officer of the bank present during the takeover.



Polillo Islands Rural Bank, Inc. (top) was closed on September 11, 2008 while Pilipino Rural Bank, Inc., (bottom) one of the 12 Legacy banks, was closed on December 11, 2008.

## Legacy banks

The simultaneous closure of 12 Legacy-affiliated banks in December 2008 tested the capability of the Corporation to rise up to the challenge of handling 48 unit closures all over the country. This was further complicated by the number of accounts for these banks of around 135,000 accounts involving P14 billion in potential insurance claims. The entire Corporation was mobilized to handle this difficult situation. PDIC was confronted with the gargantuan task of combing through thousands of bank records and suspected fraudulent transactions. These notwithstanding, claims servicing for regular savings accounts with balances of P100,000 and below started in December for one of the 12 Legacy banks. This quelled concerns of depositors and provided a signaling effect on the serious efforts of PDIC to provide depositors with immediate relief.



The simultaneous closure of the 12 Legacy-affiliated banks and the banks' voluminous records were unparalleled in the Philippine banking history, posing a great challenge to PDIC's processes and systems.

## Claims Settlement

Claims for 42,978 accounts or 34.0% of the estimated number of insured deposit accounts in banks whose claims settlement operations started in 2008, were filed during the year. This is considerably lower than the historical rate of 70% because of the adoption of new procedures with regard to filing of claims for Legacy Banks given the number of accounts involved. For instance, priority was given to filing of claims for accounts with balances of P100,000 and below.

Excluding the Legacy-affiliated banks, total claims filed during the year amounted to P4.42 billion or 104.4% of the total estimated insured amount of P4.23 billion. Amount of claims filed with the closed Bankwise, Inc. at P829.79 million was double the estimated insured deposits of P407.09 million. Some of the claims were for accounts not in bank records.

Of the total claims filed during the year, 39,602 accounts or 93% were paid. This translates to total payments for the year of P3.6 billion or 81.4% of the total amount of claims filed. Compared to the payout of P1.34 billion in 2007, this is almost three times higher. Of the total payout, P2.66 billion or 73.8% were paid to depositors of the closed G7 Bank.

As of yearend, PDIC had received claims for 1.61 million accounts or 71.2% of the estimated insured accounts covering 1,262 banking units of 484 closed banks. This involves total deposits of P22.42 billion or 95.6% of the total estimated insured amount of P23.46 billion.

Total payments since 1970 reached P21.34 billion or 95.2% of the total claims filed and 90.9% of the total estimated insured amount. In terms of accounts, cumulative payments for 1.6 million accounts or 99.3% of total claims filed and represented 70.7% of the total estimated insured accounts.

To cope with the demands stemming from the humongous number of accounts and amounts involved in this year's closures, the Corporation revisited critical claims processes for enhancements. It implemented initiatives to accelerate processing of deposit insurance claims to address depositor concerns.

Efforts are underway to enhance and simplify claims processes to better serve insured depositors.

## Claims Settlement Operations (CSO)

As of December 31, 2008

*(Amount in Million Pesos)*

| Banks | | Banking Units | Adjusted Deposit Liabilities | | Estimated Insured Deposits | | Claims Filed | | Insured Deposits Paid | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Accounts | Amount | Accounts | Amount | Accounts | Amount | Accounts | Amount |
| **CSO started in banks closed prior to 2008** | | **1,224** | **5,820,903** | **36,128.29** | **2,178,798** | **19,230.69** | **1,571,110** | **18,003.34** | **1,562,481** | **17,739.30** |
| **CSO started in banks closed in 2008** | | **38** | **126,320** | **11,000.62** | **126,310** | **8,914.20** | **42,978** | **4,420.72** | **39,894** | **3,600.65** |
| 1. | Bankwise, Inc. | 6 | 5,867 | 1,440.37 | 5,862 | 407.09 | 4,429 | 829.79 | 4,355 | 381.22 |
| 2. | Rural Bank of Lupon (Davao Oriental), Inc | 1 | 825 | 8.01 | 825 | 7.87 | 433 | 7.34 | 421 | 7.23 |
| 3. | Cooperative Rural Bank of Aklan | 5 | 21,935 | 279.83 | 21,935 | 265.36 | 4,647 | 246.08 | 4,576 | 243.79 |
| 4. | Rural Bank of Silang (Cavite), Inc. | 1 | 2,753 | 171.19 | 2,753 | 112.15 | 1,665 | 85.25 | 1,421 | 77.63 |
| 5. | People's Rural Bank of Binmaley (Pangasinan), Inc. | 9 | 10,387 | 330.55 | 10,387 | 227.78 | 4,962 | 217.51 | 4,926 | 215.74 |
| 6. | G7 Bank, Inc. (Rural Bank of Nabua, Inc.) | 7 | 45,083 | 3,450.47 | 45,078 | 3,187.29 | 25,962 | 3,011.52 | 23,488 | 2,655.90 |
| 7. | Rural Bank of Lambayong (Sultan Kudarat), Inc. | 1 | 249 | 0.90 | 249 | 0.90 | 9 | 0.41 | 3 | 0.20 |
| 8. | Rural Bank of Bamban (Tarlac), Inc. | 1 | 48 | 3.22 | 48 | 2.33 | 29 | 2.26 | 28 | 1.99 |
| 9. | New Rural Bank of Guimba (Nueva Ecija), Inc. | 1 | 10 | 1.26 | 10 | 1.26 | 6 | 0.93 | 6 | 0.91 |
| 10. | Polillo Islands Rural Bank (Quezon), Inc. | 1 | 1,261 | 17.92 | 1,261 | 17.92 | 544 | 14.51 | 378 | 10.91 |
| 11. | Rural Bank of Parañaque, Inc. | 5 | 37,902 | 5,296.89 | 37,902 | 4,684.26 | 292 | 5.13 | 292 | 5.13 |
| **Grand Total** | | **1,262** | **5,947,223** | **47,128.91** | **2,305,108** | **28,144.89** | **1,614,088** | **22,424.06** | **1,602,375** | **21,339.95** |

# Legacy Banks

In December 2008, a group of 12 banks collectively known as the Legacy banks declared bank holidays one after the other, bringing fear and anxiety to their over 100,000 depositors nationwide. Subsequently, after the almost simultaneous closure of these banks, depositor anxiety trebled and PDIC faced the herculean task of taking over these 12 banks at the same time.

This almost simultaneous closure was unprecedented in Philippine banking history. To complicate matters, the Legacy banks held an estimated P14 billion in deposits contained in about 135,000 accounts spread over 48 banking units located all over the country. Rising to the occasion, the PDIC President ordered the immediate beefing up of the Claims, Receivership and Liquidation Groups with staff from other units to be able to cope with the demands of the times. He also initiated the review of operating procedures and explored the engagement of external auditors to assist in the examination phase.

To safeguard public interest and fulfill our duty as deposit insurer, PDIC personnel were deployed to far flung areas during the Christmas season, a time traditionally meant for family togetherness.

In the field, PDIC personnel tracked down bank officials and surmounted other challenges in order to serve the closure notices. Once inside bank premises, they found bank records in disarray. Closer inspection revealed that a sizeable portion of the records and documents was missing, and suspected cases of fraud were uncovered. Through it all, hordes of anxious, restive, and angry depositors, some threatening bodily harm, continuously trooped to bank sites. PDIC personnel gave them salient information and did their best to assuage their apprehensions. Exacerbating this was the high level of local and national media interest, owing to the heady mix of large amounts of money, fraud, and human misery. Local government units also joined the fray.

Undeterred, personnel on field plowed through voluminous documents in their conduct of standard examination prior to payout. Working overtime in sometimes hot and cramped conditions, PDIC staff undertook the tedious task of combing through hundreds of thousands of documents and making sure that only valid claims are paid, as mandated by law.

At the same time, PDIC officers and staff in Manila attended to Congressional hearings for the PDIC Charter change and congressional investigations into the Legacy Group of Companies. Legislators cautioned PDIC against the suspected fraudulent schemes in

the banks. The Corporation had to strike a balance between complying with statutory provisions in claims processing and the steady clamor of depositors for payout. Unjustly maligned for the alleged slow pace of operations, PDIC nevertheless continued to do everything humanly possible to speed up examination and claims processing.

PDIC's hard work resulted in the start of payment of savings account with balances of P100,000 or less on December 22, just a few days before Christmas. This was in keeping with the Corporation's thrust of protecting small depositors. Aware that this was just the tip of the iceberg, efforts were sustained towards claims processing.

The Legacy mess highlighted the strong *esprit de corps* of the Corporation and its steely resolve to protect depositor interest by paying all valid claims despite a multitude of difficulties encountered. It left a lasting imprint on PDIC, in terms of renewed resolve to provide depositor protection by way of enhanced operating procedures, advocating for stronger regulatory powers, mitigation of moral hazard, and advocating for safe and responsible banking.


# Support Infrastructure

## Revision of PDIC's Mission and Vision Statements

During the annual planning workshop, the Corporation's mission and vision statements were once again revisited.

PDIC's mission was restated to clearly identify the Corporation's primary purpose, clients, core services and long-term outcomes. The restatement used as references the PDIC Charter and the core principles for effective deposit insurance systems espoused by the International Association of Deposit Insurers (IADI). PDIC's new mission statement is, *"We exist to provide permanent and continuing deposit insurance coverage for the depositing public. We shall exercise complementary supervision of banks, adopt responsive resolution methods, ensure prompt settlement of insured deposits, and apply efficient management of receivership and liquidation functions so that the Corporation can contribute to the promotion of public confidence and financial stability in the economy".*

The Corporation's vision and mission statements were revisited during the annual planning workshop held in Subic in October.

The PDIC vision was likewise revised to crystallize its aim to adopt world-class standards and best practices set by the IADI and the International Organization for Standards (ISO). PDIC's new vision statement is: *"We will be a world-class organization in depositor protection."*

The mission statements of different sectors and divisions were likewise formulated to ensure alignment of efforts and resources to support the corporate mission.

## Formulation and Revision of Guidelines and Procedures

The Corporation reviewed relevant guidelines and procedures to enhance operations, adopt best practices, comply with external guidelines and address gaps in internal processes as identified.

During the year, the guidelines and methodology for insurance reserves targeting were revised to simplify and adopt a more risk-based approach for consistency with the provisions of the PDIC charter as amended in 2004. With the enhanced methodology and guidelines for insurance reserves targeting, PDIC has established the reasonable level of insurance reserves to adequately cover probable losses from deposit insurance payouts and grant of financial assistance. The guidelines on case-filing initiatives were also formulated and various policies on human resource management were enhanced. In addition, discussions were initiated with potential consultants to assist PDIC in the review and documentation of major processes for eventual ISO certification.

## Enhanced IT Systems

To support the bid towards becoming a world-class organization, enhancement of IT systems was continued throughout the year. Foremost among these initiatives are the completion of migration of all applications running on obsolete servers to upgraded production servers and implementation of security measures on file sharing. The Bar Code System for fixed assets was accepted and implemented, and activities towards the upgrading and updating of the Legal Opinions Monitoring System (LOMS) were substantially completed.

Enhancement of IT systems is a component of PDIC's bid towards world-class status.

## Legal Affairs

Intensive research and legislative liaison were conducted relative to proposed amendments to the PDIC Charter. The amendments pushed for the strengthening of PDIC's institutional and financial capabilities. With the timeliness of the proposed amendments, the Corporation contributed to strengthened depositors' confidence in the Philippine banking system and sent a strong signal to the international community of its preparedness to handle the effects of the global financial crisis.

In the area of institutional strengthening, the proposed measures include authorities to determine insured deposits, conduct independent special limited examination, organize bridge banks, and immunity from legal suits. In the area of financial strengthening, the proposed measures are increase in government contribution to PDIC, exemption from all taxes, and sovereign guarantee on bonds, debentures and other debt instruments to be issued by PDIC.

The Corporation completed 17 investigations, of which 12 were recommended for filing of appropriate charges/ cases. Of the 12 cases, management approved seven cases for filing, four criminal cases and three administrative cases. All the criminal cases have already been filed as of yearend while filing of the administrative cases was deferred pending review of the guidelines on unsafe and unsound banking practices.

A total of 58 closed bank cases were decided favorably by the courts, with possible recoveries and assets preserved estimated at P33.02 million. This will form part of the assets of the closed banks under administration of PDIC as receiver and liquidator, which shall subsequently be distributed to the closed banks' creditors.

## Human Resource

PDIC drew heavily on the commitment and service orientation of its people in facing the year's challenges. Through its Human Resource Management and Development Group, it ably responded to the urgent and massive workforce requirements brought about by the spate of bank closures in the second half of 2008. It enlisted the support of all work units through the mobilization of the Employee Takeover Pool (ETP), deploying teams to both urban centers and remote areas to carry out receivership and claims settlement functions. It also stepped up the hiring of contractual employees to address the critical need for additional manpower in the field operations.

Simultaneously, PDIC continued to strengthen the competencies of its officers and staff. It implemented a Training and Development Plan that offered employees continuing opportunities to enhance or acquire new knowledge and skills to help them become more effective in their work. Of the total manpower complement of 561 as of yearend, 392 or 70% logged 32 or more hours of relevant training. These training opportunities included technical and behavioral courses conducted in-house or sourced through local and foreign providers.

Forty-three employees attended various foreign training programs, mostly organized by the APEC-Financial Regulators Training Initiative (FRTI), the SEACEN Centre, and Japan International Cooperation Agency. These regional seminars covered such subject matters such as Bank Analysis and Examination, Risk-Focused Supervision and Risk Assessment, Market Risk Analysis, Current Issues and Developments in Credit Risk Management, and Risk Management and Internal Controls.

PDIC played an active role in the APEC-FRTI Advisory Group which identifies and prioritizes training initiatives for the region. Such involvement has resulted not only in broader access to quality training, but also in valuable opportunities to help in the development of learning programs particularly responsive to the needs of deposit insurance systems.

PDIC also deployed programs that addressed the well-being of employees using a holistic approach that involved both body and mind.

PDIC continues to undertake personnel capability enhancement programs for its workforce.

The group organized a lecture-series and issued medical bulletins as part of a proper health management plan on relevant topics such as hypertension, hepatitis B, flu, osteoporosis, cervical cancer, and typhoid fever. It provided vaccines against flu and hepatitis B to employees at discounted rates. For physical exertion, team PDIC had the following options: aerobics classes, Tai Chi Chuan, or Arnis which can also be used for self-defense.

In addition, the Corporation implemented a wellness program for employees, in partnership with one of the leading pharmaceutical companies in the country. Billed "Health Fair in PDIC", the project provided free medical services such as fasting blood sugar, cholesterol screening, body mass index measurement, and consultation with physicians.

PDIC's wellness program seeks to promote balance between employees' mind and body.

Preparatory work for the construction of the PDIC building started during the year.

## General Services

Aligned with its move towards world-class status, PDIC started preparatory work for the construction of a modern building designed for efficiency. The new building will house all units of the Corporation in one site. In December 2008, the Corporation engaged the services of an architectural and engineering design consultant for this purpose. Starting next year and for the duration of the construction, PDIC will hold office at the SSS Building in Ayala Avenue.

# Laying the Ground for PDIC Charter Amendments

Towards the last quarter of 2008 when the international financial crisis was wreaking havoc all over the world, PDIC seized the opportunity to press for institutional and financial strengthening measures for the Corporation as corollary proposals for an increase in the maximum deposit insurance coverage. Thus was born PDIC's advocacy for Charter change as a pre-emptive measure to mitigate possible effects of the crisis.

The PDIC President led small groups in dialogues, consultations and presentations to legislators of both chambers of Congress to generate support for the amendments. Consultations with bank industry groups were also undertaken to discuss salient reforms on deposit insurance and additional authorities for PDIC that were needed to enhance its regulatory and oversight functions.

Media exposure, both in print and television, were maximized to gather further support for the amendments. The desirability of the amendments was explained for public discussions.

Senator Edgardo J. Angara, Chairman of the Committee on Banks, Financial Institutions, and Currencies led the Senate in pushing for a more empowered PDIC. Senators Mar Roxas and Francis Escudero also filed separate bills to amend the PDIC Charter. The Senate later on agreed to support a consolidated bill, Senate Bill 2964.


PDIC President Jose C. Nograles and senior officers attend the Senate hearing on PDIC Charter amendments.

In the House of Representatives, efforts also gained ground to support the revision of the deposit insurance law from the bills filed by Speaker Prospero C. Nograles, Committee on Bank and Financial Intermediaries Chairman Rep. Jaime Lopez, Rep. Joseph Violago, Rep. Rex Gatchalian, Rep. Leonila Chavez, Rep. Victoria Alvarado, among others.

A common provision in the Senate and House versions was the proposed increase in the maximum deposit insurance coverage to build depositor confidence.

PDIC proposed the following institutional strengthening measures to mitigate moral hazard and strengthen


PDIC President Jose C. Nograles discusses the salient features of the PDIC Charter amendments in a television interview.

oversight function: (a) authority to determine insured deposits; (b) authority to conduct independent special limited bank examination; (c) authority to organize bridge bank; and (d) immunity from suit.

These institutional strengthening measures were to be complemented by financial strengthening initiatives that will shore up the DIF and bolster confidence in the banking system. These bold measures were strong signals that the country will be ready in case it is adversely affected by the global crisis.

The financial strengthening measures were: (a) additional contribution of the national government to the DIF; (b) exemption from all taxes; and (c) grant of sovereign guarantee on bonds, debentures and other debt issuances.

The PDIC team worked double time during the period which coincided with the Legacy bank closures. The Corporation's officers and staff attended numerous congressional meetings and hearings both for the Charter amendments and the Legacy investigations. The Legacy mess underscored the need for Charter amendments to give more authorities to PDIC in order to help mitigate moral hazard and protect the DIF.

The desire to help mitigate moral hazard, coupled with the need for a pre-emptive measure against the financial crisis, spurred PDIC to continue to push for Charter change.

PDIC held a consultative meeting in November 2008 with House Committee Chairman Jaime Lopez on the PDIC Charter amendments.

# Advocacy

PDIC won the 1st Gawad Pampublikong Korporasyon Award by the Office of the Government Corporate Counsel for its Financial Literacy Project for students.

## The Financial Literacy Project

The PDIC Financial Literacy Project (FLP), an advocacy aimed to set the foundation of savings consciousness among Filipino youth, garnered for the Corporation the 1st Gawad Pampublikong Korporasyon Award from the Office of the Government Corporate Counsel (OGCC). The award salutes the project's impact on three levels: its relevance to national development, its benefits to the general public, and the quality of productivity management. The OGCC, an attached agency of the Department of Justice (DoJ), safeguards the legal interest of all government-owned and controlled corporations and their subsidiaries.

The PDIC FLP is the first school curriculum-based financial literacy program crafted by a deposit insurer in Asia. It was implemented in cooperation with the Department of Education (DepEd), the Commission on Higher Education (CHED), the Coordinating Council of Private Educational Association (Cocopea), and the Philippine Council of Deans and Educators in Business (PCDEB).

The numbers paint the success rate of the project: by 2008, the Project was expanded to include 1.29 million private high school students. This brought the total


The PDIC Financial Literacy Project was expanded in 2008 to include almost 1.3 million high school students enrolled in the private schools.

reach to around 7 million students from both public and private high schools as well as college students enrolled in business courses.

Beyond the numbers, the long-term objective of inculcating savings consciousness among high school and college students is achieved level after level, year after year, which on a sustained basis will benefit the whole economy.

PDIC also conducted briefings for two academic institutions, the Lipa City Colleges and Far Eastern University, as part of its advocacy to promote deposit insurance awareness and announce the establishment and availability of the Resource Center to college students who may need to conduct research studies on deposit insurance.

To promote deposit insurance awareness in the academe, PDIC conducts briefings for colleges and universities.

## Depositors Assistance Bureau

The Depositors Assistance Bureau (DAB) continued to extend depositor assistance during takeover and claims settlement operations. It also served as a channel through which PDIC communicates its key messages to the depositors of closed banks and the general public.

At the PDIC home office, DAB also provided assistance to depositors responding to queries about deposit insurance and other deposit-related issues, loan-related information as well as complaints about deposit accounts in operating banks and other concerns with the closed banks. The Bureau attended to 3,533 inquiries and complaints received via phone calls, personal visits, e-mail and regular mail representing a 17.06% increase over last year's level of 3,018. These inquiries and complaints were all addressed with dispatch and when needed, referred to concerned PDIC departments or other government agencies for appropriate action.

DAB conducts a series of Depositors Forum during bank takeover to explain the claims processes and requirements and distribute claim forms.


Putting depositors at the heart of its services, PDIC provides frontline assistance to ensure depositors are guided when filing their deposit insurance claims.

# Institutional Relations

President Nograles and PDIC officers with the participants and speakers of the First Regional Study Visit to the PDIC held on October 13-14, 2008.

In line with the new blueprint of the Corporation, PDIC stepped up on activities that promoted new partnerships and strengthened existing links with its local and international networks. PDIC continued to actively interface with other financial regulators to address regulatory gaps and enhance coordination among institutions. The Corporation is a member of the Financial Sector Forum whose other members include the BSP, Securities and Exchange Commission, and the Insurance Commission.

PDIC has also maintained close linkages with industry players by way of consultations and dialogues particularly during the Corporation's drive for Charter change.

In celebration of the Depositor Protection and Awareness Week in June, PDIC launched its Resource Center and e-Library with Department of Education (DepEd) Secretary Jesli Lapus as the guest of honor.

The academic and institutional partners of the PDIC Institutional Relations and Resource Center namely, the Philippine Institute for Development Studies, United Nations Development Programme, and the Asian Institute of Management graced the event.

The Resource Center provides a rich collection of references to the academe, professionals and the general public on deposit insurance-related information. Its collection consists of a wide selection of deposit insurance research studies and banking publications authored and published by the Federal Deposit Insurance Corporation, Canada Deposit Insurance Corporation, Bank for International Settlements, Asian Development Bank, World Bank, SEACEN Centre, International Monetary Fund, and the BSP, to name a few.

PDIC President Jose C. Nograles and Education Secretary Jesli A. Lapus led the inauguration of the PDIC Resource Center.

It is a specialized knowledge center envisioned by PDIC to become a regional repository of information on deposit insurance and financial stability issues in Asia.

PDIC was deeply involved in a number of international conferences and dialogues that aim to improve deposit insurance systems across the globe. The Corporation is a founding member of the International Association of Deposit Insurers (IADI), a non-government organization based in Basel, Switzerland. IADI seeks to promote effective deposit insurance systems globally through its 50 deposit insurance members, and various multilateral partners.

The election of PDIC President Jose C. Nograles in October to the governing body of IADI amplifies the importance of PDIC in the area of deposit insurance worldwide.

During the 6th IADI-Asia Regional Committee Annual Meeting and International Conference in Bali, Indonesia in March, the PDIC discussed the results of a regional research project on Multilateral Cooperation on Public Awareness which it chaired to high-level officials from other deposit insurance agencies.

PDIC President Jose C. Nograles and EVP Imelda S. Singzon meet with FDIC officials in Washington, D.C. to discuss bridge banking.


PDIC strengthens partnership with international counterparts to ensure its systems and processes are aligned with global best practices and standards.


President Jose C. Nograles presents the PDIC Financial Literacy project at the IADI conference hosted by the Federal Deposit Insurance Corp. in Washington D.C.

The PDIC President was also a speaker at the 8th IADI Annual Conference and Annual General Meeting in Washington D.C. He presented the Financial Literacy Project of the Corporation to an international audience made up of top officials of other deposit insurance agencies, regulators, multilateral institutions and the academe.

PDIC also took part in five other IADI activities held in Switzerland, Japan, the Czech Republic, Malaysia and Korea to keep abreast of international best practices and developments in deposit insurance and bank regulation and supervision. From attendance to such activities, PDIC gained new knowledge that, combined with insights gleaned from experience and other sources, were used as invaluable inputs to enhance operations and to craft a revised Charter responsive to the needs of the times.

PDIC President Nograles with Czech Deposit Insurance Fund (CDIF) Chairman Josef Tauber.

PDIC President Nograles, FDIC Chairman Sheila C. Bair and IADI Chairman & FDIC Vice Chairman Martin Gruenberg at the IADI Forum in Washington D.C.


PDIC President Jose C. Nograles shares the Philippine experiences during the IADI Conference in Basel, Switzerland.




As a member of IADI, PDIC shares insights and experiences on claims, receivership and liquidation with its regional counterparts.

Having had vast experience in claims, receivership, and liquidation, PDIC organized its first regional training on the areas of interest on October 12 to 15, 2008 at the Renaissance Hotel in Makati City. Eleven representatives from the Deposit Insurance Corporation of Japan, Malaysia Deposit Insurance Corporation, Central Deposit Insurance Corporation, Deposit Protection Authority of Thailand and Deposit Protection Board of Zimbabwe attended the training meet.

PDIC senior officials discussed various processes involved in carrying out its mandate as a deposit insurer, co-regulator, and receiver or liquidator of closed banks. The event served as a platform for PDIC and its regional counterparts to share experiences and exchange views on issues and challenges they face in deposit insurance operations.

# Financial Performance

## SOUND FISCAL CONDITION

PDIC bucked the tide of the financial crisis with the prudent fund management of its financial resources. This augured well for the institution's fiscal standing. Financial performance for the year registered growth in pivotal areas.

## ASSETS

Total assets of the Corporation increased by P10.68 billion or 8.1% to P142.32 billion compared to last year's level of P131.64 billion, attributed mainly to the growth in PDIC's total investment portfolio, which in turn was principally driven by higher assessment collections from banks, and interest income from investments.

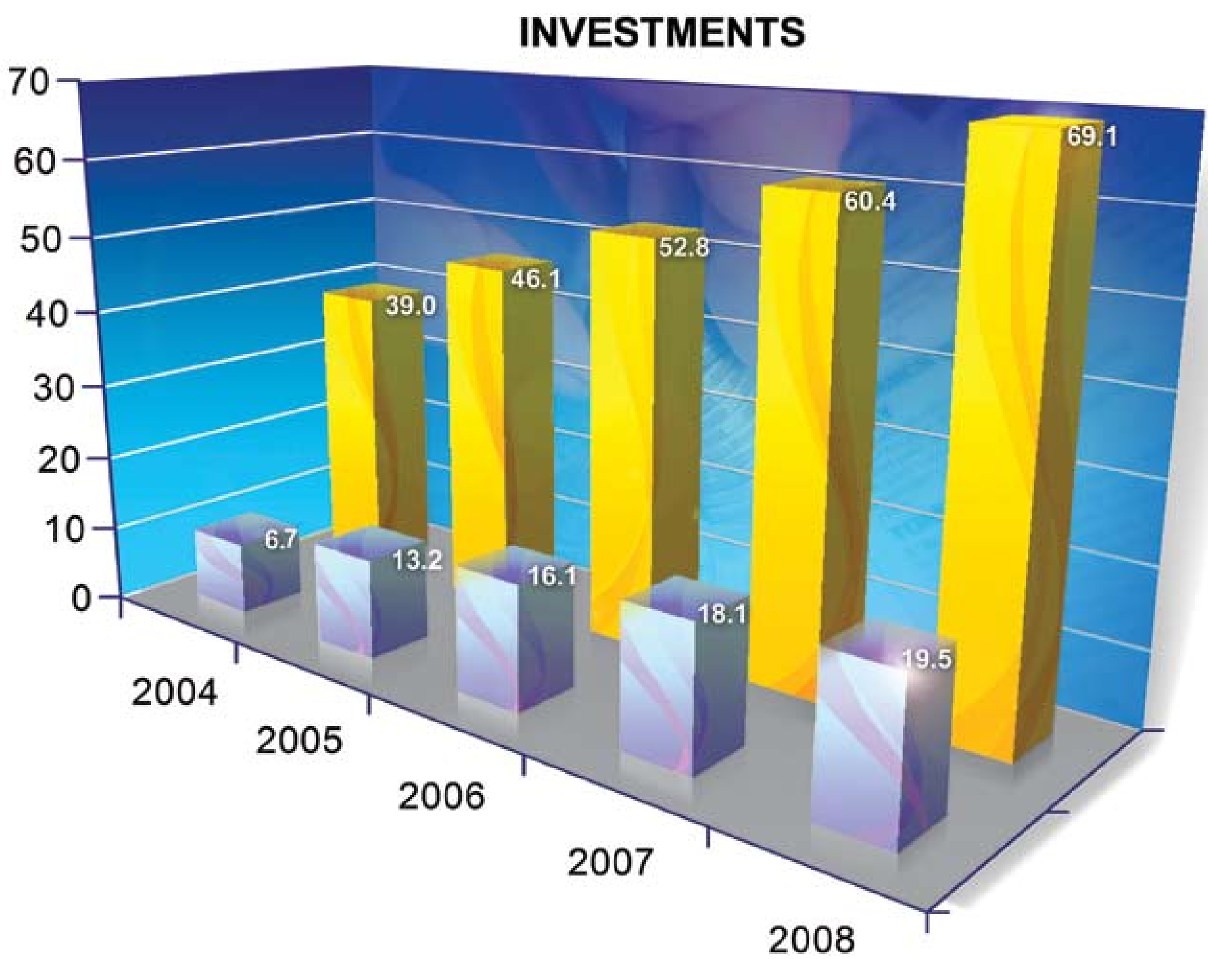
## Investments

Total investment portfolio of the Corporation reached P88.61 billion consisting of regular investments of P69.15 billion and sinking funds amounting to P19.46 billion. These are in government securities and deposits in banks held as cash equivalents, available-for-sale and held-to-maturity securities.

Regular investments increased by P8.73 billion or 14.5% from last year's level of P60.36 billion and ended the year with a portfolio average net yield of 6.32%.

Sinking Funds, that are being built to repay loan obligations to the Bangko Sentral ng Pilipinas (BSP) at maturity, increased by P1.33 billion or 7.34% from the 2007 level. PDIC administers P14.04 billion of sinking funds while the BSP Treasury Department manages the balance of P5.42 billion.

The new inflows and interest income contributed to the growth in regular investment and sinking funds for 2008, however, the investment portfolio was faced with falling yields and consequently, reinvestment of the maturity proceeds of long-term securities in the portfolio were in lower rates. To partially counter this downward drag, investments during the year were directed more towards the purchase of medium-term government securities to take advantage of the higher rate offered by instruments with tenors of almost five years. Thus, PDIC still managed to post a net investment income of P5.65 billion, surpassing the P5.55 billion targeted for the year. The sustained investments growth enhanced the Corporation's preparedness to respond to demands for payout of insured deposits.



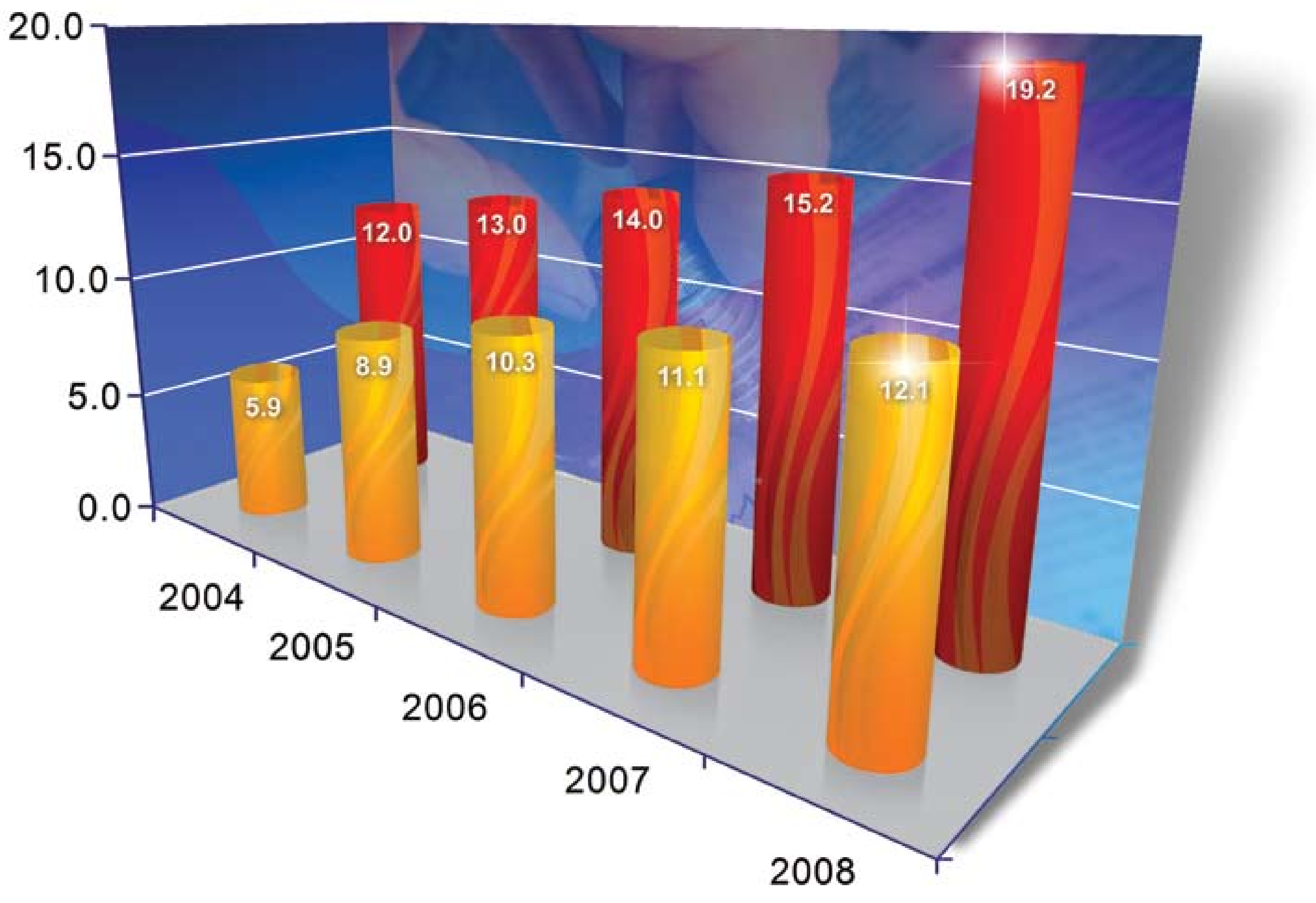

| Investments | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Regular | 39.0 | 46.1 | 52.8 | 60.4 | 69.1 |
| Sinking Funds | 6.7 | 13.2 | 16.1 | 18.1 | 19.5 |
| Total | 45.7 | 59.3 | 68.9 | 78.5 | 88.6 |

## Loans and Receivables

Overall, the Corporation's loans and receivables from banks grew by P2.19 billion or 4.9% to P46.67 billion from last year's total. This is ascribed to the insured deposit payouts during the year where PDIC is subrogated as claimant from the closed banks, and in the decrease in loans by P900.19 million mainly from collections from an assisted commercial bank, and some reclassification to other assets.

Subrogated claims receivables amounted to P19.2 billion, with allowance for probable losses of P12.06 billion or 62.8%, and net of subrogated claims assigned of P3.76 million, bringing subrogated claims receivables to P7.14 billion at yearend. This is P3.01 billion or 72.9% higher than the P4.13 billion last year. The net subrogated claims receivables represents the estimated balance of PDIC's deposit insurance payouts with probability of recovery from the assets of closed banks upon liquidation.

**SUBROGATED CLAIMS RECEIVABLES**




| Accounts | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Subrogated Claims Receivables (SCR) Gross | 12.0 | 13.0 | 14.0 | 15.2 | 19.2 |
| Allowance for Probable Losses on SCR | 5.9 | 8.9 | 10.3 | 11.1 | 12.1 |
| Allowance / SCR | 49.0% | 68.8% | 73.5% | 72.9% | 62.8% |

Additions to subrogated claims for the year was P4.02 billion arising from payouts in 77 closed banks, of which, 11 were closed in 2008 while 66 were closures in previous years. This amount is net of the booking of P954.87 million additional allowance for probable losses and P51.54 million representing recoveries and collections. These were from 38 closed banks with P6.86 million representing full recovery from 12 closed banks and P44.68 million in partial collections from 26 closed banks which on the average is only a 12.3% recovery from these 38 banks.

Meanwhile, outstanding advances for receivership and liquidation operations to date amounted to P1.04 billion for 475 closed banks, a net increase of P90.41 million from last year's level counting in the recoveries of P51.5 million this year.

## LIABILITIES

The Corporation's total liabilities amounted to P81.85 billion. This year's level is higher by P4.48 billion or 5.79% from last year's P77.38 billion. Liabilities represented loans from the BSP, mostly used in the rehabilitation of banks and one loan was used in payout operations, and accruals of interest on the outstanding loan agreements.

During the year, PDIC borrowed P2.57 billion from the BSP to service the deposit insurance claims of a closed bank, a fund management strategy implemented to conserve liquidity. Under the Countryside Financial Institutions Enhancement Program (CFIEP), PDIC made a drawdown of P2.95 million from the fund dedicated for CFIEP being managed by the BSP to assist a rural bank in its consolidation with another rural bank.

Net interest payable additionally accrued on the long-term loans amounted to P1.62 billion during the year. Accrued interest payable had an accumulated balance of P8.65 billion at yearend.

## INCOME

Amidst the scenario of volatile markets for 2008 and despite the maturity of higher yielding securities in the portfolio, net income for the year of P569.06 million was on target. Income from financial assistance, however, decreased by P282.04 million due to repayment of the restructured loan of an expanded commercial bank of P6.1 billion. Other income also dropped by P915.93 million compared to the 2007 level of P996.15 million since this was buoyed up by the one-time extraordinary income of P934.17 million from the sale of PDIC preferred shares of an assisted commercial bank, and trading gains of P223.91 million from the sale of Republic of the Philippines (ROP) Global Bond holdings.

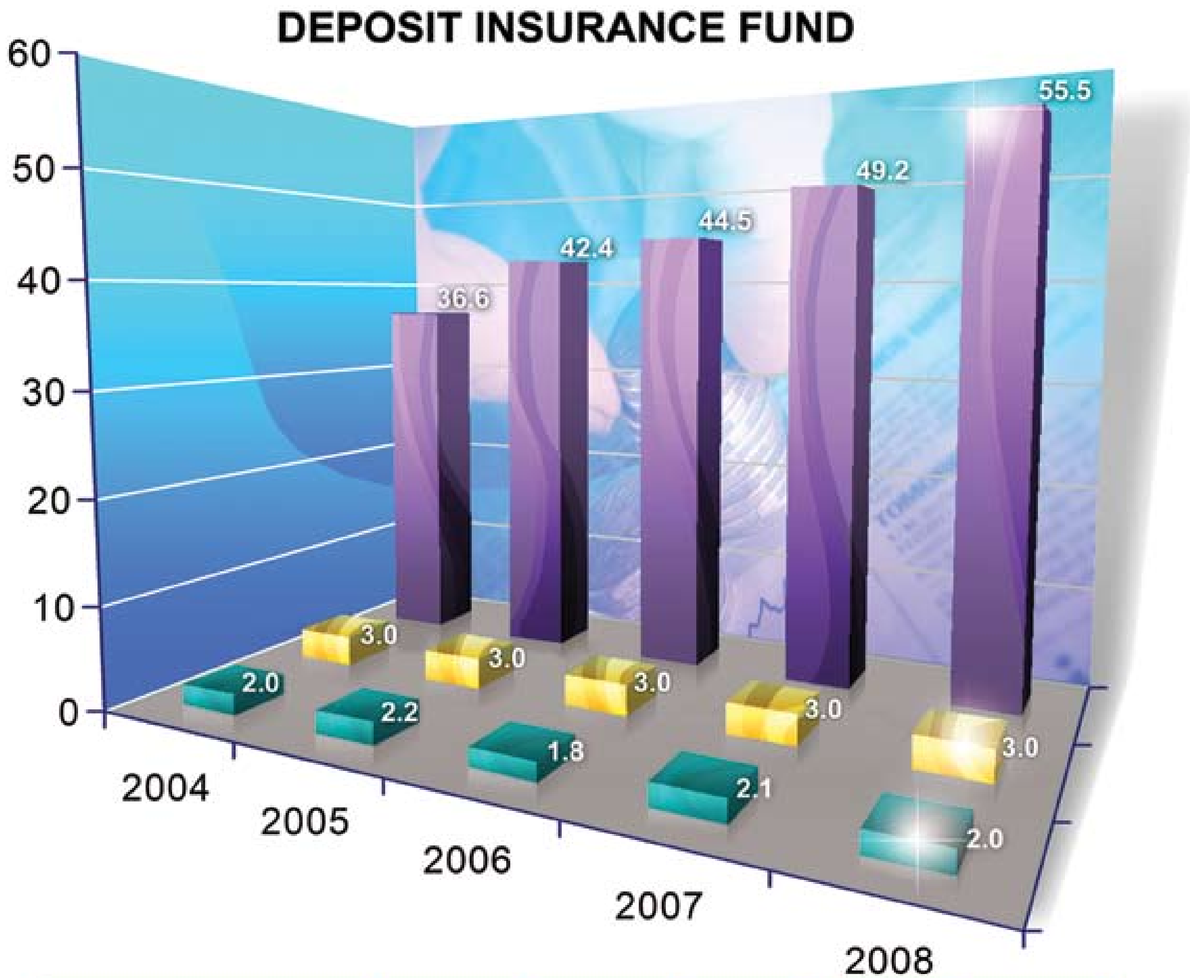
## Dividends to the NG

As required under R.A. 7656, 50% of the net income or P284.52 million was declared as dividends to the National Government in 2008.

## DEPOSIT INSURANCE FUND

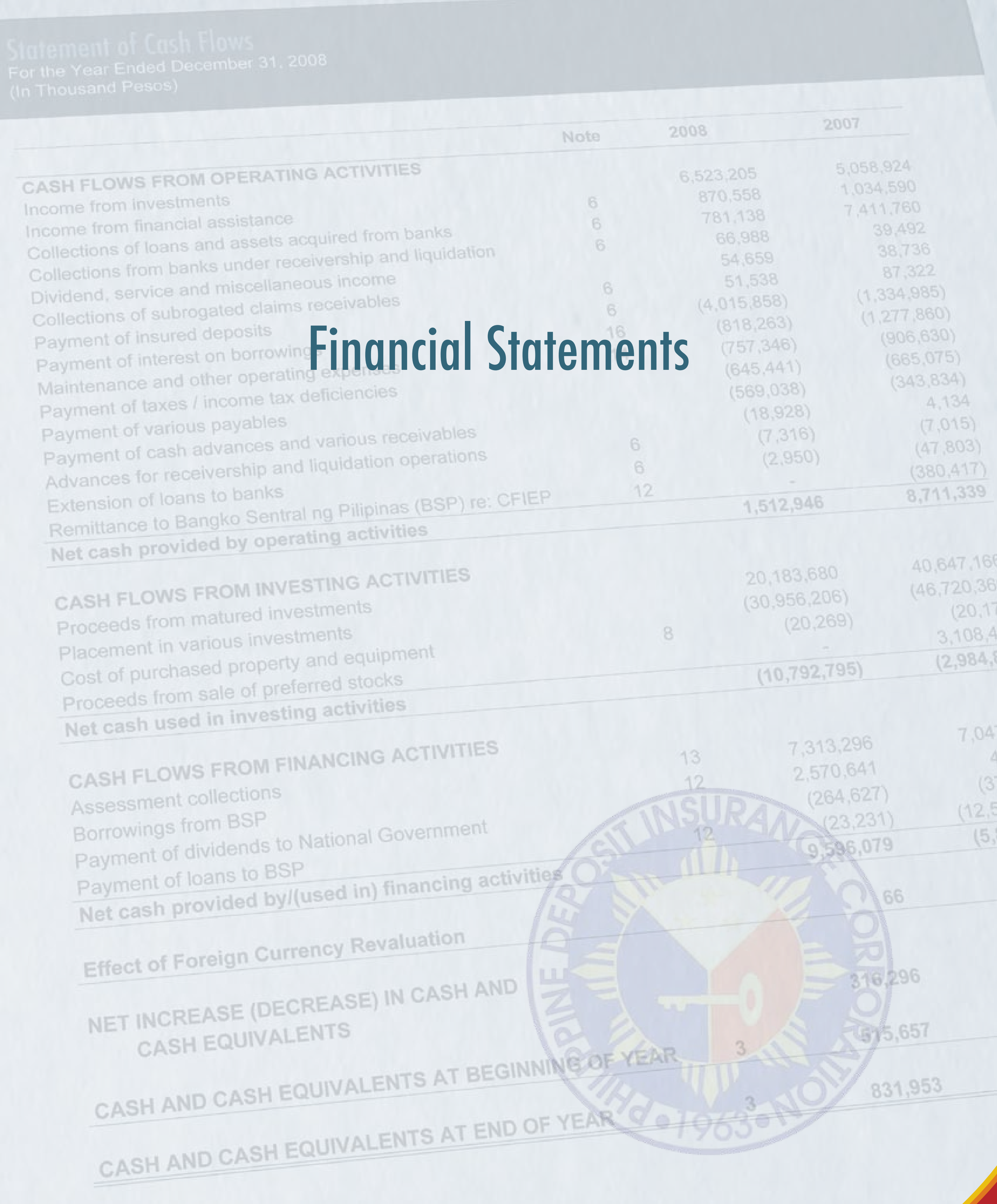
The Deposit Insurance Fund (DIF), the capital account of the Corporation, grew by 11.4% to P60.46 billion as of December 31, 2008, higher than the P54.27 billion posted in 2007. It consists of the Permanent Insurance Fund of P3.0 billion, reserves for estimated insurance losses (REIL) of P55.55 billion and retained earnings of P1.95 billion. The additions REIL in 2008 amounted to P6.35 billion or 12.9% increase from previous year's balance. Additions to reserves this year amounted P6.35 billion, a 12.91% increase to a balance of P55.55 billion at year end.

The DIF was steadily strengthened at an average growth of 9.4% in the last five years and 10.75% in the two most recent years. The sustained rise in the DIF shows the sound financial well-being of PDIC as a deposit insurer and its strong financial capacity to respond to insurance calls.




| Components | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|---|---|---|---|---|
| Reserves for Estimated Insurance Losses | 36.6 | 42.4 | 44.5 | 49.2 | 55.5 |
| Permanent Insurance Fund | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Retained Earnings | 2.0 | 2.2 | 1.8 | 2.1 | 2.0 |
| Deposit Insurance Fund | 41.6 | 47.6 | 49.3 | 54.3 | 60.5 |

# Financial Statements



Statement of Cash Flows
For the Year Ended December 31, 2008
(In Thousand Pesos)

| | Note | 2008 | 2007 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income from investments | | 6,523,205 | 5,058,924 |
| Income from financial assistance | 6 | 870,558 | 1,034,590 |
| Collections of loans and assets acquired from banks | 6 | 781,138 | 7,411,760 |
| Collections from banks under receivership and liquidation | 6 | 66,988 | 39,492 |
| Dividend, service and miscellaneous income | | 54,659 | 38,736 |
| Collections of subrogated claims receivables | 6 | 51,538 | 87,322 |
| Payment of insured deposits | 6 | (4,015,858) | (1,334,985) |
| Payment of interest on borrowings | 16 | (818,263) | (1,277,860) |
| Maintenance and other operating expenses | | (757,346) | (906,630) |
| Payment of taxes / income tax deficiencies | | (645,441) | (665,075) |
| Payment of various payables | | (569,038) | (343,834) |
| Payment of cash advances and various receivables | | (18,928) | 4,134 |
| Advances for receivership and liquidation operations | 6 | (7,316) | (7,015) |
| Extension of loans to banks | 6 | (2,950) | (47,803) |
| Remittance to Bangko Sentral ng Pilipinas (BSP) re: CFIEP | 12 | - | (380,417) |
| **Net cash provided by operating activities** | | **1,512,946** | **8,711,339** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from matured investments | | 20,183,680 | 40,647,16 |
| Placement in various investments | | (30,956,206) | (46,720,36 |
| Cost of purchased property and equipment | 8 | (20,269) | (20,17 |
| Proceeds from sale of preferred stocks | | - | 3,108,4 |
| **Net cash used in investing activities** | | **(10,792,795)** | **(2,984,8** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Assessment collections | 13 | 7,313,296 | 7,04 |
| Borrowings from BSP | 12 | 2,570,641 | 4 |
| Payment of dividends to National Government | | (264,627) | (3 |
| Payment of loans to BSP | 12 | (23,231) | (12,5 |
| **Net cash provided by/(used in) financing activities** | | **9,596,079** | **(5,** |
| **Effect of Foreign Currency Revaluation** | | 66 | |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | 316,296 | |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 3 | 515,657 | |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 3 | 831,953 | |

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

# Independent Auditor's Report

**The Board of Directors**
Philippine Deposit Insurance Corporation
Makati City

We have audited the accompanying financial statements of the Philippine Deposit Insurance Corporation (PDIC), which comprise the statement of condition as at December 31, 2008, and the statement of income and expenses, statement of changes in deposit insurance fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

**In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Philippine Deposit Insurance Corporation as at December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.**

### Emphasis of Matter

Without qualifying our opinion, we draw attention to item no. 1 of the Observations and Recommendations which reported that the Corporation's Statement of Income and Expenses presented the total expenses of P10.672 billion net of income from assessments of P7.313 billion under the line item "expenses in excess of assessments". This practice is not in accordance with PAS 1 which requires that the details of income and its related expenses should be shown in the respective line items. However, Management opted to present its Statement of Income and Expenses pursuant to Sections 6d and 13c of the PDIC Charter as discussed under Notes 2.1 and 13 to the Financial Statements. Accordingly, the presented total income and total expenses were both understated by P7.313 billion.

Additionally, we draw attention to the following Notes to the Financial Statements:

1. Note 6.1 discloses that the Corporation subscribed to the Capital Notes issued by a commercial bank in the amount of P12 billion by way of conversion of the latter's outstanding obligations in its 2003 Financial Assistance, which may expose the Corporation to credit risk as discussed under Note 20.2 to the Financial Statements.

2. Note 18.5 states that the Monetary Board placed 15 banks under receivership with validated claims for payment of P10.75 billion, which may affect the build-up of the Corporation's targeted insurance reserve.

3. Note 18.1.a describes, among others, the major uncertainty related to the outcome of the Motion for Partial Reconsideration filed by the Corporation before the Department of Justice in connection with the alleged value-added tax deficiencies on assessment fees to the Bureau of Internal Revenue, which may result in contingent liability as a consequence of adverse judgment that may be rendered subsequently.

**COMMISSION ON AUDIT**

**ANGELINA B. VILLANUEVA**
Director III

21 April 2009

# Statement of Condition
December 31, 2008
(In Thousand Pesos)

| | Note | 2008 | 2007 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 3 | 831,953 | 515,657 |
| Available-for-sale investments | 4 | 555,130 | 470,358 |
| Held-to-maturity investments | 5 | 87,224,981 | 77,563,636 |
| Receivable from banks | 6 | 46,673,525 | 44,473,851 |
| Interest and other receivables | 7 | 1,877,764 | 1,778,167 |
| Property and equipment | 8 | 163,450 | 149,420 |
| Intangible assets | 9 | 9,565 | 9,273 |
| Other assets | 10 | 4,980,152 | 6,682,668 |
| **TOTAL ASSETS** | | **142,316,520** | **131,643,030** |
| **LIABILITIES AND DEPOSIT INSURANCE FUND** | | | |
| **Liabilities** | | | |
| Accounts payable and other liabilities | 11 | 9,372,845 | 7,848,337 |
| Loans payable | 12 | 72,481,966 | 69,528,761 |
| | | **81,854,811** | **77,377,098** |
| **Deposit Insurance Fund** | | | |
| Permanent insurance fund | | 3,000,000 | 3,000,000 |
| Estimated insurance losses | | 55,547,973 | 49,197,973 |
| Retained earnings | | 1,954,893 | 2,069,517 |
| Unrealized loss on investments | | (41,157) | (1,558) |
| | | **60,461,709** | **54,265,932** |
| **TOTAL LIABILITIES AND DEPOSIT INSURANCE FUND** | | **142,316,520** | **131,643,030** |

*The accompanying Notes form part of these financial statements.*

# Statement of Income and Expenses
For the Year Ended December 31, 2008
(In Thousand Pesos)

| | Note | 2008 | 2007 |
|---|---|---|---|
| **INCOME** | | | |
| Income from investments, net | | 5,647,740 | 5,761,507 |
| Income from financial assistance | | 795,215 | 1,077,257 |
| Other income, net | | 79,975 | 996,148 |
| **TOTAL INCOME** | | **6,522,930** | **7,834,912** |
| | | | |
| **EXPENSES** | | | |
| Expenses in excess of assessments | | 3,358,549 | 3,792,743 |
| Interest on borrowings | 16 | 2,577,819 | 2,786,007 |
| **TOTAL EXPENSES** | | **5,936,368** | **6,578,750** |
| | | | |
| **NET INCOME BEFORE TAX** | | **586,562** | **1,256,162** |
| Income tax (MCIT) | | (17,506) | (26,908) |
| **NET INCOME AFTER TAX** | | **569,056** | **1,229,254** |

*The accompanying Notes form part of these financial statements.*

# Schedule of Assessments
For the Year Ended December 31, 2008
(In Thousand Pesos)

| | Note | 2008 | 2007 |
|---|---|---|---|
| **ASSESSMENTS** | 13 | 7,313,432 | 7,045,111 |
| | | | |
| **EXPENSES AND CHARGES** | | | |
| Operating expenses | 14 | 1,527,055 | 1,003,019 |
| Additions to reserves | 15 | 6,350,000 | 5,100,000 |
| Insurance and financial assistance losses | | 2,794,926 | 4,734,835 |
| Rehabilitation cost | 13 | 1,839,240 | 3,904,273 |
| Deposit claims pay-out expenses | 13 | 954,861 | 830,093 |
| Receivership and liquidation expenses | 13 | 825 | 469 |
| | | | |
| **TOTAL EXPENSES AND CHARGES** | | 10,671,981 | 10,837,854 |
| | | | |
| **EXPENSES IN EXCESS OF ASSESSMENTS** | **13** | **(3,358,549)** | **(3,792,743)** |

# Statement of Changes in Deposit Insurance Fund

For the Year Ended December 31, 2008
(In Thousand Pesos)

| | Note | 2008 | 2007 |
|---|---|---|---|
| **PERMANENT INSURANCE FUND** | | | |
| Balance at beginning/end of year | | 3,000,000 | 3,000,000 |
| **ESTIMATED INSURANCE LOSSES** | | | |
| Balance at beginning of year | | 49,197,973 | 44,529,738 |
| Additions, net | 15 | 6,350,000 | 4,668,235 |
| **Balance at end of year** | | **55,547,973** | **49,197,973** |
| **RETAINED EARNINGS** | | | |
| Balance at beginning of year | | 2,069,517 | 1,854,875 |
| Net income after tax | | 569,056 | 1,229,254 |
| Income tax deficiency | | - | (399,985) |
| Dividends to the National Government | | (284,528) | (614,627) |
| Corrections for prior years | | (399,152) | - |
| **Balance at end of year** | | **1,954,893** | **2,069,517** |
| **UNREALIZED LOSS ON AFS INVESTMENTS** | | **(41,157)** | **(1,558)** |
| **DEPOSIT INSURANCE FUND** | | **60,461,709** | **54,265,932** |

*The accompanying Notes form part of these financial statements.*

# Statement of Cash Flows

For the Year Ended December 31, 2008
(In Thousand Pesos)

| | Note | 2008 | 2007 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Income from investments | | 6,523,205 | 5,058,924 |
| Income from financial assistance | 6 | 870,558 | 1,034,590 |
| Collections of loans and assets acquired from banks | 6 | 781,138 | 7,411,760 |
| Collections from banks under receivership and liquidation | 6 | 66,988 | 39,492 |
| Dividend, service and miscellaneous income | | 54,659 | 38,736 |
| Collections of subrogated claims receivables | 6 | 51,538 | 87,322 |
| Payment of insured deposits | 6 | (4,015,858) | (1,334,985) |
| Payment of interest on borrowings | 16 | (818,263) | (1,277,860) |
| Maintenance and other operating expenses | 14 | (757,346) | (906,630) |
| Payment of taxes / income tax deficiencies | | (645,441) | (665,075) |
| Payment of various payables | | (569,038) | (343,834) |
| Payment of cash advances and various receivables | | (18,928) | 4,134 |
| Advances for receivership and liquidation operations | 6 | (7,316) | (7,015) |
| Extension of loans to banks | 6 | (2,950) | (47,803) |
| Remittance to Bangko Sentral ng Pilipinas (BSP) re: CFIEP | 12 | - | (380,417) |
| **Net cash provided by operating activities** | | **1,512,946** | **8,711,339** |
| | | | |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Proceeds from matured investments | | 20,183,680 | 40,647,166 |
| Placement in various investments | | (30,956,206) | (46,720,360) |
| Cost of purchased property and equipment | 8 | (20,269) | (20,178) |
| Proceeds from sale of preferred stocks | | - | 3,108,477 |
| **Net cash used in investing activities** | | **(10,792,795)** | **(2,984,895)** |
| | | | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Assessment collections | 13 | 7,313,296 | 7,047,056 |
| Borrowings from BSP | 12 | 2,570,641 | 47,803 |
| Payment of dividends to National Government | | (264,627) | (372,608) |
| Payment of loans to BSP | 12 | (23,231) | (12,539,682) |
| **Net cash provided by/(used in) financing activities** | | **9,596,079** | **(5,817,431)** |
| | | | |
| **Effect of Foreign Currency Revaluation** | | **66** | **(32,055)** |
| | | | |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | | **316,296** | **(123,042)** |
| | | | |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **3** | **515,657** | **638,699** |
| | | | |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | **3** | **831,953** | **515,657** |

*The accompanying Notes form part of these financial statements.*

## 1. GENERAL / CORPORATE INFORMATION

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

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

As at December 31, 2008, PDIC's total manpower complement is 561 (163 officers and 398 rank and file employees), of which, one is a Presidential appointee, 551 are permanent, seven are coterminous and two are temporary.

The financial statements have been authorized for issuance by the Board of Directors on January 29, 2009.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of financial statement preparation

The PDIC financial statements pertaining to the financial position, results of operations, changes in deposit insurance fund and cash flows as of December 31, 2008 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 Note 13.

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

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

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

### 2.2 Use of judgments and estimates

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

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

- The timing and extent of losses the Corporation incurs as a result of future failures of member banks;
- The extent to which the Corporation will pay insurance claims of depositors of member banks that are closed or extend financial assistance to banks in danger of closing;

- The ability to recover its claims receivable and advances based on the trends and expectations of the liquidation of the closed banks;
- The extent to which the Corporation can maximize the sale and recoveries from the assets it acquires as a way of rehabilitating banks; and
- The probability of recovery through successful lawsuits as appropriate against relevant parties.

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

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

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

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

**c. Impairment losses of receivables from banks**

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

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

The 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.

**e. Estimated useful lives of property and equipment**

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

**f. Contingencies**

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

**2.3 Change in accounting policies**

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

**2.4 Summary of significant accounting policies**

**a. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and other check items, working funds, 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.

**b. Financial assets**

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

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

**b.1.** <u>Available-for-sale (AFS) investments</u>

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.2.** <u>Held-to-Maturity (HTM) investments</u>

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 using the straight-line method 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.

**b.3.** <u>Loans and receivables</u>

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.

**c. Impairment of assets**

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

**c.1.** Impairment of financial assets

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

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

2) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognized on the financial asset. 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.

**c.2.** 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 expired.

**d. Property and equipment**

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

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

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

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

**e. Intangible assets**

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

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

**f. Borrowing costs**

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

**g. Deposit insurance fund**

The Deposit Insurance Fund (DIF) is the capital account of the Corporation and shall principally consist of the following: (a) the Permanent Insurance Fund; (b) assessment collections, subject to the charges enumerated in Section 6d of the PDIC Charter (refer to Note 13); (c) reserves for insurance and financial assistance losses (Note 15); 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 adopted the Target Fund Approach in setting a target level of the Deposit Insurance Fund (DIF) based on direct threat and potential demand on the Corporation's capital, as evaluated against the risks in the banking system as of a given date.

**h. Permanent insurance fund**

This is the total capital provided by the National Government by virtue of R.A. 3591, as amended. The full capitalization was reached in 1994 with the conversion of the obligations of PDIC to the then Central Bank of the Philippines in the amount of P977.80 million into equity of the National Government.

**i. 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.

**j. Reserves for 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 Reserves for Estimated Insurance Losses. (Note 15)

**k. Income recognition**

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

**k.1.** Investment income

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

**k.2.** Interest income

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

**l. 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.

**m. Employee benefits**

**m.1.** Provident fund

In accordance with Section 8 (11) of the Charter, the Corporation has a Provident Fund, which is a defined contribution plan, divided into general fund and housing fund, consisting of contributions made both by its officers and employees and the Corporation. 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.

**m.2.** Retirement

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

**m.3.** Accrued leave pay

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

**n. Leases**

**n.1.** Operating lease

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

**n.2.** Finance lease

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

**o. 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:

| | 2008 | 2007 |
|---|---:|---:|
| Cash on hand [3.1/] | 62 | 9,590 |
| Cash in bank [3.2/] | 1,504 | 11,170 |
| Short-term investments [3.3/] | 830,387 | 494,897 |
| | **831,953** | **515,657** |

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

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

**3.3** 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 (AFS)

This consists of treasury notes and bonds of P555.13 million in 2008 and P470.36 million in 2007.

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

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

| | 2008 | 2007 |
|---|---|---|
| Regular investments | 67,702,481 | 59,395,171 |
| Sinking funds [5.1/] | 19,455,919 | 18,125,171 |
| Legal liability insurance fund [5.2/] | 66,581 | 43,294 |
| | **87,224,981** | **77,563,636** |

**5.1** Funds accumulated by the Corporation or being managed by Bangko Sentral ng Pilipinas (BSP) for the payment of PDIC loans.

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

## 6. RECEIVABLE FROM BANKS

The following receivables are classified into this account as follows:

| | 2008 | 2007 |
|---|---|---|
| Loans [6.1/] | 38,474,532 | 39,374,716 |
| Receivables - closed banks [6.2/] | 8,198,993 | 5,099,135 |
| | **46,673,525** | **44,473,851** |

### 6.1 Loans

This represents financial assistance by way of i) interest bearing direct loans and liquidity assistance extended to five commercial banks, two rural banks and one thrift bank, amounting to P31.22 billion, ii) assets acquired by PDIC arising from financial assistance amounting to P7.25 billion primarily for buyback by the assisted bank.

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

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

### 6.2 Receivables - closed banks includes the following:

| | 2008 | 2007 |
|---|---|---|
| Subrogated claims [a/] | 19,204,767 | 15,240,448 |
| Subrogated claims assigned | (3,762) | (3,762) |
| Allowance for probable losses | (12,064,825) | (11,109,953) |
| | **7,136,180** | **4,126,733** |
| AR-receivership and liquidation [b/] | 1,045,638 | 957,297 |
| Allowance for probable losses | (9,755) | (11,825) |
| | **1,035,883** | **945,472** |
| Loans receivables-closed banks [c/] | 165,026 | 165,026 |
| Allowance for probable losses | (138,096) | (138,096) |
| | **26,930** | **26,930** |
| | **8,198,993** | **5,099,135** |

**a.** 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 2008, additions to this account amounted to P4.02 billion mostly pertaining to 11 out of the 25 banks, which were closed, with total deposit liabilities of P11.14 billion consisting of 125,840 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 promissory notes from banks that availed themselves of the Countryside Financial Institution Enhancement Program administered jointly by PDIC, Land Bank of the Philippines (LBP) and BSP. Non-interest bearing notes of various rural banks thru LBP is due at the end of seven years from the date of asset swap and collection thereon will be used to redeem the subrogated claims assigned to BSP.

**b.** Accounts receivable – receivership and liquidation

These are 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.

c. 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:

| | 2008 | 2007 |
|---|---|---|
| Interest receivables [7.1/] | 1,670,807 | 1,573,048 |
| Advances to officers and employees [7.2/] | 2,827 | 902 |
| Other receivables [7.3/] | 204,130 | 204,217 |
| | **1,877,764** | **1,778,167** |

7.1 This represents interest receivables from investments amounting to P1,408,870 in 2008 and P1,324,291 in 2007 and loans granted to assisted banks of P261,937 in 2008 and P248,757 in 2007.

7.2 These are cash advances of officers and staff mostly for approved travel assignments.

7.3 All other receivables including assessment deficiencies of member banks and those subsequently closed.

## 8. PROPERTY AND EQUIPMENT

This account includes the following:

| Particulars | Land, Building and Construction –in-Progress [8.1/] | Furniture, Fixtures, Equipment and Books | Transportation Equipment [8.2/] | Leasehold Improvements | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 January 2008 | 171,523 | 151,098 | 12,710 | 2,723 | 338,054 |
| Additions | 2,035 | 3,464 | 9,212 | 18,536 | 33,247 |
| Disposals/adjustments | - | (11,621) | - | - | (11,621) |
| **At 31 December 2008** | 173,558 | 142,941 | 21,922 | 21,259 | 359,680 |
| **Accumulated Depreciation** | | | | | |
| At 1 January 2008 | 78,801 | 101,411 | 5,699 | 2,723 | 188,634 |
| Depreciation | 3,472 | 13,877 | 1,191 | 176 | 18,716 |
| Disposals/adjustments | - | (11,211) | 91 | - | (11,120) |
| **At 31 December 2008** | 82,273 | 104,077 | 6,981 | 2,899 | 196,230 |
| | | | | | |
| **Net book value** | | | | | |
| **At 31 December 2008** | **91,285** | **38,864** | **14,941** | **18,360** | **163,450** |
| **At 31 December 2007** | **92,722** | **49,687** | **7,011** | **-** | **149,420** |

8.1 This account includes property located at Chino Roces Avenue, Makati City, with appraised values of P325 million for the land and P110.2 million for the building.

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

## 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 |
|---|---|---|---|
| **2008** | | | |
| At 1 January 2008 | 15,497 | 6,224 | 9,273 |
| Additions | 2,805 | - | 2,805 |
| Amortization | - | 2,513 | (2,513) |
| **At 31 December 2008** | **18,302** | **8,737** | **9,565** |
| **At 31 December 2007** | **15,497** | **6,224** | **9,273** |

## 10. OTHER ASSETS

This account includes the following:

| | 2008 | 2007 |
|---|---|---|
| Assets acquired[10.1/] | 19,354,463 | 23,563,530 |
| Allowance for probable losses | (14,533,458) | (17,028,977) |
| | 4,821,005 | 6,534,553 |
| Acquired assets as payment of receivables from closed banks[10.2/] | 90,744 | 90,744 |
| Provident fund - car fund | 39,262 | 39,262 |
| Prepayments[10.3/] | 17,261 | 8,186 |
| Guarantee deposits[10.4/] | 8,275 | 7,600 |
| Inventories | | |
| Office supplies and materials | 1,715 | 1,331 |
| Decals and standees | 206 | 277 |
| Petty cash fund[10.5/] | 1,684 | 715 |
| | **4,980,152** | **6,682,668** |

**10.1** Includes assets acquired from financially assisted banks.

**10.2** Includes assets received from closed banks in payment for subrogated deposits and advances for receivership and liquidation expenses.

**10.3** Includes various prepaid expenses i.e. taxes on investments, IT maintenance service, insurance and others.

**10.4** Includes miscellaneous assets such as subscriber's investments and deposits with utility companies (SSS, MERALCO, PLDT, etc.)

**10.5** 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:

| | 2008 | 2007 |
|---|---|---|
| Interest payable [11.1/] | 8,648,646 | 7,029,171 |
| Inter-agency payables [11.2/] | 541,200 | 517,967 |
| Due to officers and employees [11.3/] | 110,361 | 92,989 |
| Accounts payables [11.4/] | 42,970 | 30,867 |
| Other payables [11.5/] | 29,668 | 29,927 |
| Unearned income | - | 147,416 |
| | 9,372,845 | 7,848,337 |

**11.1** 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.).

**11.2** Inter-agency payables consist of the following:

| | 2008 | 2007 |
|---|---|---|
| Bureau of Treasury | 284,528 | 264,627 |
| Bureau of Internal Revenue | 217,611 | 213,397 |
| PDIC Provident Fund | 30,151 | 32,083 |
| Government Service Insurance System | 7,285 | 7,089 |
| PhilHealth | 1,037 | 417 |
| Pag-IBIG | 302 | 280 |
| Bangko Sentral ng Pilipinas | 286 | 74 |
| | 541,200 | 517,967 |

**11.3** Composed of accrued leaves of employees payable upon monetization, retirement or resignation amounting to P99.86 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.

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

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

## 12. LOANS PAYABLE

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

| | 2008 | 2007 |
|---|---|---|
| Financial assistance granted to various banks | | |
| Commercial Banks | 65,912,657 | 65,530,093 |
| Thrift Banks | 3,950,865 | 3,950,865 |
| Rural Bank | 2,618,444 | 47,803 |
| | **72,481,966** | **69,528,761** |

## 13. ASSESSMENTS

Details of assessments collected from member banks are as follows:

| | 2008 | 2007 |
|---|---|---|
| Commercial Banks | 6,336,262 | 6,158,925 |
| Thrift Banks | 719,241 | 685,752 |
| Rural Banks | 257,929 | 200,434 |
| | **7,313,432** | **7,045,111** |

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:

**13.1** Operating costs and expenses of the Corporation for the calendar year;

**13.2** Additions to reserve to provide for insurance and financial assistance losses; and

**13.3** Net insurance and financial assistance losses sustained in said calendar year.

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

b. Deposit claims pay-out expenses – estimated losses on deposit insurance claims, based on the respective estimated realizable value of assets and preference of credits in the liquidation of closed banks (See also Notes 2.4.2.c and 6.b.1).

c. Receivership and liquidation expenses – estimated losses on receivables from closed banks for necessary expenses advanced by the Corporation as receiver and liquidator (See also Note 6.b.2).

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

## 14. OPERATING EXPENSES

This account consists of the following:

| | 2008 | 2007 |
|---|---|---|
| Personal services | 673,919 | 603,712 |
| Maintenance and other operating expenses | 853,136 | 399,307 |
| | **1,527,055** | **1,003,019** |

The Gender and Development (GAD) expenses amounted to P105 thousand out of the P170 thousand budget for 2008. These were incurred for gender sensitivity training and personal finance workshop, among others.

## 15. ESTIMATED INSURANCE LOSSES / RESERVES

Addition to reserves for insurance losses was P6.35 billion for 2008 and P5.10 billion for 2007 less adjustments in asset recoveries of P431.8 million for 2007 (See also Notes 2.4.10 and 13).

## 16. INTEREST ON BORROWINGS

This account consists of Interest Expense account totaling P2.58 billion in 2008 and P2.79 billion in 2007 primarily on outstanding loans to BSP used to fund the financial assistance and payout operations of various banks.

## 17. LEASES

The Corporation leased the premises of the Social Security System at Ayala Avenue, Makati City, which serve as PDIC extension office for P41.61 million for a period of one year. The lease is renewable annually under certain terms and conditions.

**18. CONTINGENT LIABILITIES AND OTHER MATTERS**

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

**a.** Value-added tax on assessments

The Bureau of Internal Revenue (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 and eventually referred the issue to the Department of Justice (DOJ) for adjudication on September 23, 2004.

In the meantime, and while the issue is pending with the DOJ, BIR issued 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 March 30, 2006 where PDIC paid P1.50 billion upon execution and P200 million under protest for the year 2005 and the succeeding years. 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.

On March 25, 2009, the Department of Justice rendered a Resolution finding PDIC liable to pay VAT on assessment fees from member banks starting February 2004 onwards. This resolution is now the subject of a Motion for Partial Reconsideration filed by PDIC. In case of denial, PDIC may appeal to the Office of the President, thereafter to the Court of Appeals and eventually the Supreme Court.

**b.** Claims for deposit insurance

Five cases were filed against the Corporation for payment of deposit insurance involving the estimated amount of P25.645 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 an appeal with the Court of Appeals filed by the separated employees.

**d.** Cases involving monetary claims

Two cases were filed against the Corporation, which involve monetary claims. One case is a claim for payment of broker's fee with damages. The broker's fee is in an amount equivalent to three per cent of the purchase price of the property sold at P213.304 million; whereas, the other case involves a claim for damages in the estimated amount of P0.900 million.

**e.** Cases subject matter of which are incapable of pecuniary estimation

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

**18.2** Estimated insured deposits

As at December 31, 2008, total insured deposits under the P250,000 insurance coverage amounted to P964.83 billion representing 32.76 billion accounts. This is equivalent to 23.05 per cent of the total deposits of P4,186.61 billion in the banking industry.

**18.3** Contested assessment billings

In compliance with Regulatory Issuance No. 92-1 regarding rules and regulations governing the posting of security deposit by banks with contested billings, two banks have posted escrow deposits with government banks in the amount of P867.70 million for contested billings of P868.21 million including interests.

**18.4** Unpaid claims for insured deposits

As at end of December 31, 2008, total claims for insured deposits filed by depositors of closed banks totaled P22.40 billion representing 1,608,323 accounts. Claims totaling P1.09 billion corresponding to 11,713 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. Moreover, claims for insured deposits amounting to P20.98 million involving 485 accounts for bank closures starting August 2004 under PDIC Charter as amended by RA 9302, have been verified to be valid, but are awaiting claimants. Of these, 156 accounts with the total amount of P10.79 million have been paid as of April 2009.

**18.5** Bank closures at year-end

From December 9 to 19, 2008, 14 rural banks and one thrift bank were placed under receivership by the Monetary Board, 12 of which are the Legacy-affiliated banks. Based on the reports of these 15 banks, estimated insured deposits amounted to P14.28 billion involving 143,865 accounts. To date, around 117,561 accounts or 75.3% amounting to P10.75 billion have been validated. Validated accounts for the 12 legacy banks amounting to P10.47 billion involving 108,349 accounts, excludes claims which have been denied, and for accounts with incomplete documents and those referred for legal clearance. Only valid deposit claims shall be paid by PDIC.

**18.6** Banks under receivership and liquidation

There are a total of 492 closed banks as at December 31, 2008 under PDIC receivership and liquidation including the 25 banks that were closed in 2008. The total estimated realizable value of assets (ERVA) and liabilities of the banks amounted to P18.05 billion and P54.34 billion, respectively. This excludes the ERVA of the 15 banks closed in late 2008.

The outstanding Accounts Receivable - Receivership and Liquidation as at December 31, 2008 amounted to P1.05 billion.

## 19. RELATED PARTY TRANSACTION

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

## 20. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

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

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

**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.

**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.

Therefore, PDIC exercises prudence in the grant of financial assistance and over its exposures to credit risk. This is managed through periodic examination of assisted banks and monitoring of the covenants in the loan agreements. The Corporation likewise mitigates such risk through the collateral requirements as secondary source of payment. Moreover, the Corporation is allowed to invest only in obligations of the Republic of the Philippines (ROP) or in obligations guaranteed as to principal and interest by the ROP.

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

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

| | Note | Gross Maximum Exposure **2008** | Gross Maximum Exposure **2007** |
|---|---|---|---|
| Receivable from banks, net | 6 | 46,673,525 | 44,473,851 |
| Interest and other receivables | 7 | 468,895 | 453,876 |
| **Total credit risk exposure** | | **47,142,420** | **44,927,727** |

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.

**20.3** Liquidity risk

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

a. Analysis of financial liabilities by maturity

The table below summarizes the maturity profile of the Corporation's financial liabilities at December 31, 2008.

| **Financial liabilities** | **On demand** | **Up to 3 months** | **> 3 up to 12 months** | **> 1 up to 5 Years** |
|---|---|---|---|---|
| **As at December 31, 2008** | | | | |
| Accounts payable and other liabilities | 182,999 | 39,061 | 502,139 | - |
| Interest payable | 76,414 | 293,439 | 241,238 | - |
| Loans payable | - | - | 4,000,000 | 4,653,493 |
| **Total** | **259,413** | **332,500** | **4,743,377** | **4,653,493** |
| **As at December 31, 2007** | | | | |
| 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 |
| **Total** | **225,903** | **547,726** | **475,836** | **8,631,621** |

| | **> 5 up to 10 years** | **> 10 up to 20 years** | **Over 20 years** | **Total** |
|---|---|---|---|---|
| **As at December 31, 2008** | | | | |
| Accounts payable and other liabilities | - | - | - | 724,199 |
| Interest payable | 1,460,404 | 1,940,390 | 4,636,761 | 8,648,646 |
| Loans payable | 12,241,102 | 39,375,171 | 12,212,200 | 72,481,966 |
| **Total** | **13,701,506** | **41,315,561** | **16,848,961** | **81,854,811** |
| **As at December 31, 2007** | | | | |
| 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 |
| **Total** | **10,380,693** | **40,971,882** | **15,996,021** | **77,229,682** |

# Board of Directors

## Margarito B. Teves
Chairman

Secretary, Department of Finance
Governor for the Philippines, World Bank Group
Governor for the Philippines, Asian Development 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

## 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

## J. Antonio M. Quila
Director

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

## 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

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

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

## Jeremias N. Paul, Jr.
Alternate Director

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

# Board of 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, top to bottom)

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

## Risk Management Committee

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

(From left to right, top to bottom)

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

# Executive Committee

(From left to right, top to bottom)

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

# Management Committee

## Advocacy and Governance
as of May 31, 2009

(From left to right, pages 70-71)
**Jose C. Nograles,** President
**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
**Alma Teresa R. Malanog,** Senior Vice President, Corporate Services Sector
**Cristine C. Remollo,** First Vice President, Legal Services Group
**Ma. Antonette B. Bolivar,** First Vice President, Litigation and Investigation Group

**Maria Leonida M. Fres-Felix,** Vice President, Communications and Stakeholder Relations Group
**Ma. Ester D. Hanopol,** Vice President, Planning and Policy Group
**Maria Belinda C. San Jose,** Vice President, Information Technology Group
**Geronimo V. Ambe,** Vice President, Comptrollership Group
**Nina Noreen A. Jacinto,** Vice President, Administrative Services Group
**Irene DL. Arroyo,** Vice President, Financial Resource Management Group
**Ma. Teresita V. Leido,** Vice President, Human Resource Management Group

# Management Committee

## Operations Division 1
as of May 31, 2009

(From left to right, top to bottom)
**Cristina Q. Orbeta,** Executive Vice President, Division 1
**Josefina J. Velilla,** First Vice President, Risk Assessment and Resolution Group 1
**Rosario C. Arnaldo,** Vice President, Risk Assessment and Resolution Group 2
**Cynthia B. Marcelo,** Vice President, Insurance and Risk Assessment Services Group
**Eden Tita J. Dizon,** Vice President, Asset Management and Disposal Group

# Operations Division 2
as of May 31, 2009





From left to right, top to bottom)
**Imelda S. Singzon,** Executive Vice President, Division 2
**Elizabeth E. Oller,** First Vice President, CRL Services Group
**Lillian I. Serna,** Vice President, Insurance Claims Group
**Teresita D. Gonzales,** Vice President, Receivership and Liquidation Group 1
**Nancy Sevilla-Samson,** Vice President, Receivership and Liquidation Group 2

# List of Officers
as of May 31, 2009

## ADVOCACY AND GOVERNANCE

### OFFICE OF THE PRESIDENT

**Jose C. Nograles**
*President*

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

**Rosalia B. Gallano**
*Corporate Executive Officer I*

*Office of the Board Chairman*

**Rosalia V. De Leon**
*Vice President*

*Office of the Corporate Board Secretary*

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

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

*Office of Member of the Board for Private Sector*

**Pilar Y. Ledesma**
*Executive Assistant IV*

**Emmanuel C. Solomon**
*Executive Assistant IV*

### 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*

*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*

*Corporate Communications Department*

**Auramar DO. Calbario**
*Department Manager III*

**Josephine G. Mopera**
*Assistant Department Manager II*

*PDIC Institutional Relations and Resource Center*

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

*Depositors Assistance Bureau*

**Maria Leonida M. Fres-Felix**
*Officer-In-Charge*

## LEGAL AFFAIRS SECTOR

*Office of the General Counsel*

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

**Ma. Saddy Mila Ena B. Rillorta**
*Assistant Department Manager II*

### 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*

## MANAGEMENT SERVICES SECTOR

*Office of the Senior Vice President*

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

**Antonio L. Panaligan**
*Assistant Department Manager II*

### Planning and Policy Group

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

*Policy and Systems Department*

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

*Planning and Information Management Department*

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

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

### Information Technology Group

**Maria Belinda C. San Jose**
*Vice President*

*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*

**Hermil P. De Vera**
*Corporate Executive Officer II*

## FINANCIAL RESOURCE MANAGEMENT AND COMPTROLLERSHIP SECTOR

*Office of the Senior Vice President*

**Sandra A. Diaz**
*Senior Vice President*

### Financial Resource Management Group

**Irene D. 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*

**Jocelyn J. Nepomuceno**
*Department Manager III*

**Janet B. Aguila**
*Corporate Executive Officer II*

**Ma. Lourdes R. Relucio**
*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

**Ma. Teresita V. Leido**
*Vice President*

*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*

*Training Institute*

**Divina F. Cavestany**
*Department Manager III*

# OPERATIONS – DIVISION 1

## OFFICE OF THE EXECUTIVE VICE PRESIDENT

**Cristina Q. Orbeta**
*Executive Vice President*

### Insurance and Risk Assessment Services Group

**Cynthia B. Marcelo**
*Vice President*

**Tessie P. Velasquez**
*Corporate Executive Officer II*

*Insurance and Risk Assessment Data Department*

**Angel B. Obrero**
*Department Manager III*

**Christopher G. Suguitan**
*Assistant Department Manager II*

**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*

**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*

**Dennis Y. Abiera**
*Corporate Executive Officer II*

### Risk Assessment and Resolution Group II

**Rosario C. Arnaldo**
*Vice President*

*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**
*Assistant Department Manager II*

*Risk Assessment and Resolution Department VI*

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

**Flordelis M. Datu**
*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. Jozzene Claire Beltran-Carandang**
*Corporate Executive Officer II*

**Lolita M. Lim**
*Corporate Executive Officer II*

*Loan Administration and Monitoring Department*

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

## OPERATIONS – DIVISION 2

### *OFFICE OF THE EXECUTIVE VICE PRESIDENT*

**Imelda S. Singzon**
*Executive Vice President*

### Insurance Claims Group

**Lilian I. Serna**
*Vice President*

*Presettlement Examination Department*

**Luisito M. Carreon**
*Assistant Vice President*

**Evangeline R. Pantalunan**
*Assistant Department Manager II*

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

**Monina J. Cornista**
*Corporate Executive Officer II*

*Claims Processing Department*

**Elaine B. Deticio**
*Assistant Vice President*

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

**Joan S. De Leon**
*Corporate Executive Officer II*

*Claims Settlement Department*

**Merlie M. Cañaveral**
*Department Manager III*

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

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

## Receivership and Liquidation Group I

**Teresita D. Gonzales**
*Vice President*

*Receivership and Liquidation Department I-A*

**Josette Sonia H. Marcilla**
*Department Manager III*

**Ana Rosa E. Viray**
*Corporate Executive Officer II*

*Receivership and Liquidation Department I-B*

**Ma. Bernadette R. Sanchez**
*Department Manager III*

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

*Receivership and Liquidation Department I-C*

**Ferdinand M. Beluan**
*Department Manager III*

**Imelda A. Barro**
*Corporate Executive Officer II*

**Celia D. Joven**
*Corporate Executive Officer II*

**Josefina S. San Pedro**
*Corporate Executive Officer II*

*Receivership and Liquidation Department I-D*

**Ronald C. Angeles**
*Assistant Department Manager II*

**Elmer Juan C. Haber**
*Corporate Executive Officer II*

## Receivership and Liquidation Group II

**Nancy L. Sevilla-Samson**
*Vice President*

*Receivership and Liquidation Department II-A*

**Imelda R. Salgado**
*Department Manager III*

**Ma. Nenita N. Gayla**
*Corporate Executive Officer II*

**Leonor S. Samonte**
*Corporate Executive Officer II*

*Receivership and Liquidation Department II-B*

**Benefico M. Magday**
*Assistant Vice President*

**Florante D. Lucos**
*Corporate Executive Officer II*

**Rosalina G. Morales**
*Corporate Executive Officer II*

*Receivership and Liquidation Department II-C*

**Teodoro Jose D. Hirang**
*Assistant Vice President*

**Fernando S. Boñula**
*Corporate Executive Officer II*

**Mary Ann C. Crisostomo**
*Corporate Executive Officer II*

*Receivership and Liquidation Department II-D*

**Democrito L. Bitang**
*Corporate Executive Officer II*

**Susana R. Carolino**
*Corporate Executive Officer II*

## CRL Services Group

**Elizabeth E. Oller**
*First Vice President*

**Marivic C. Puzon**
*Corporate Executive Officer II*

*CRL Legal Services Section*

**Renato N. Garay**
*Assistant Department Manager II*

**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 II*

**Ariel M. Alcoba**
*Corporate Executive Officer I*

*Property Appraisal Department*

**Recaredo Leighton A. Tamayo**
*Department Manager III*

**Minviluz O. Rubrico**
*Corporate Executive Officer II*

**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.
Acuña, Myraflor C.
Aduana, Gerhardus C.
Agabao, Lenin D.
Aganon, Ariston P.
Agnes, Ma. Caridad R.
Aguila, Janet B.
Agustin, Jenelyn P.
Alagos, Daisy Ann T.
Alarca, Mary Rosalind A.
Alcoba, Ariel M.
Ambe, Geronimo V.
Amigleo, Noreen R.
Andes, Joan P.
Andrada, Jovy R.
Angeles, Beatriz R.
Angeles, Ronald C.
Ani, Jacqueline I.
Antonio, Florante Jr. F.
Antonio, Maria Gracia N.
Antonio, Nina M.
Antonio, Ricardo D.
Apolinario, Cely E.
Aquino, Ernesto C.
Arcangel, Ma. Theresa M.
Arellano, Rosita R.
Arias, Thelma B.
Arizala, Aura Marina R.
Arnaldo, Rosario C.
Arriola, Romeo C.
Arroyo, Irene D.
Ascano, Rhoda R.
Atendido, Jocelyn A.
Atibula, Kenneth T.
Aure, Oliver A.
Aurelia, Edzel D.
Austria, Arlene C.
Austria, Rhea S.
Avecilla, Augusto R.
Ayran, Junnifer P.

**B**

Bacsal, Dionisia E.
Badillo, Rosa Maria V.
Bagaporo, Ma. Cristina T.
Bagnes, Lyn D.
Baguio, Godofreda P.
Balasabas, Marilou M.
Balleras, Dodge D.
Baltazar, Ma. Paz V.
Bandoy, Israel A.
Barral, Rosalie F.
Barrera, Romel M.
Barril, Rosenda L.
Barro, Imelda A.
Bataan, Liz D.
Batac, Araceli F.
Batalla, Allan Paul G.
Batalla, Ma. Rafaela T.
Bautista, Grace V.
Baylon, Josielyn S.
Bello, Sherwin Z.
Bello, Virginia D.
Beltran-Carandang, Ma. Jozzene Claire M.
Beluan, Ferdinand M.
Bendana, Jose A.
Billones, Gilroy V.
Bitang, Democrito L.
Blaza, Victoria P.
Bolivar, Ma. Antonette B.
Bonula, Fernando S.
Boone, Aniceta A.
Borja, Jesus Maria Jose L.
Borjal, Rolly C.
Borlongan, Eugene V.
Briones, Erolyn R.
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.
Cabalatungan, Milajoy C.
Cabradilla, Leon C.

Caderao, Mardonio C.
Calapan, Asuncion S.
Calbario, Auramar D.
Calleja, Ma. Evangeline P.
Calleja, Thelma C.
Calub, Marilou D.
Calvez, Vilma Y.
Canapi, Laarni L.
Canaveral, Merlie M.
Canela, Enrico R.
Capuno, Jaime C.
Caraig, Myrna C.
Carbonell, Geoderick E.
Careng, Juana L.
Carlos, Ludivina P.
Carolino, Susana R.
Carreon, Aileen B.
Carreon, Delia A.
Carreon, George Benedict O.
Carreon, Luisito M.
Carreon, Mark Jumboe King N.
Carvajal, Josephine M.
Cascolan, Regierex P.
Casiguran, Merlyn F.
Casino, Ronald S.
Castor, Cleofe D.
Castro, Charmaine Cheryl S.
Castro, Harry C.
Castro, Ma. Margarita G.
Castro, Ruben S.
Catigbe, Hernando L.
Cavestany, Divina F.
Centino, Ofelia M.
Cerdon, Jesse S.
Chingcuangco, Esperanza L.
Ciriaco, Marie Hazel V.
Collo, Nina Jesusita P.
Comon, Bernadette P.
Concepcion, Dennis H.
Conge, Anastacio T.
Conge, Ma. Teresa D.
Cordero, Ruben C.
Cornista, Elmer R.
Cornista, Monina J.
Corona, Enrico C.
Cortes, Jacinto C.
Cortez, Enrique M.
Costa, Henry A.
Crisostomo, Mary Ann C.
Cruz, Clarinda T.
Cuison, Mary Catherine Z.
Cunanan, Ma. Guadalupe V.
Custodio, Angelito A.

**D**

Dabi, Sandra V.
Dadal, Roselle May R.
Dadpaas, Miriam B.
Datingaling, Estelita R.
Dato, Clarence E.
Datu, Flordelis M.
Datu, Marylyn I.
Dayog, Lily F.
De Mesa, Ma. Lourdes G.
De Guzman-Basanes, Carey F.
De Jesus, Menard B.
De Lemos, Raymond C.
De Leon, Evangeline Q.
De Leon, Joan S.
De Leon, Rafael D.
De Leon, Rosalia V.
De Silva, Deborah C.
De Vera, Hermil P.
Decena, Marivic R.
Del Rosario, Alejandro S.
Dela Cruz, Amavi Y.
Dela Cruz, Emelina M.
Dela Cruz, Jofrey B.
Dela Cruz, Richard O.
Dela Pena, Maximo Jr. C.
Dela Rosa, Franklin M.
Dellosa, Mark Anthony L.
Delos Reyes, Noel Q.
Deticio, Elaine B.
Deveza, Ida R.
Diaz, Sandra A.
Diloy, Mary Ann D.
Dionisio, Veronica D.
Divino, Danilo P.
Dizon, Carlyle G.
Dizon, Eden Tita J.
Dizon, Francisco N.
Dizon, Rosario E.
Dojillo, Alexander N.
Drilon, Ludovina V.
Dulalia, Rogelio Jr. P.
Dumagpi, Cynthia S.
Dumalagan, Doram T.
Dumbrique, Dahlia E.
Durana, Eunice L.

**E**

Eamilao, Dorothy C.
Eleda, Glenda A.
Enrico, Melanie L.
Enriquez, Remel R.
Escaran, Abigail B.
Escobar, Ma. Corazon J.
Estanislao, Virgilio C.
Esteves, Cherrylyn L.
Estores, Gilda T.
Eugenio, Leah P.

**F**

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

**G**

Galang, Cyrus T.
Gallano, Rosalia B.
Galosmo, Fredy S.
Gana, Jose Mari C.
Garay, Renato N.
Garcia, Teresa H.
Gatdula, Lawrence C.
Gatpatan, Edgar G.
Gaviola, Isabel P.
Gayla, Ma. Nenita N.
Gayondato, Divina C.
Gayondato, Loida A.
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.
Guna, 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.
Jandayan, Maryrose A.
Jandusay, Joel B.
Jao, Jason C.
Javillo, Jonathan L.
Jose, Jacqueline O.
Jose, Napoleon D.
Joven, Celia D.
Juano, Ada C.
Jurado, Rizalyn P.

**K**

Kimpo, Gamaliel F.

**L**

Labatorio, Anne M.
Lacao, Famela Pat B.
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Ladra, Luisito H.
Lamigo, Melody E.
Landicho, Wennie C.
Lao, Aileen B.

Lao, Analinda C.
Laquian, Anicetas C.
Larang, Ana Lyn E.
Laresma, Luis D.
Lascano, Marnie C.
Latayon, Judalyn C.
Layno, Jocelyn M.
Ledesma, Pilar Y.
Legaspi, Lionel N.
Leido, Ma. Teresita V.
Lesigues, Victoriano C.
Lim, Lolita M.
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.
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Maloles, Maileen M.
Mana-ay, Lorio G.
Manarpaac, Amor P.
Maniago, Vivencio M.
Mansos, Rodelia R.
Manuel, Rogelio Jr. D.
Manzala, Venus P.
Manzanares, Mauricia C.
Marbella, Hilario N.
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Marcelo, Joselita L.
Marcelo, Maricel M.
Marcilla, Josette Sonia H.
Marco, Jonnah Mae C.
Margajay, Salud E.
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Marges, Realinda R.
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Marquez, Nanete L.
Marquez, Rowena P.
Matabang, Apolonio M.
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Matutina, Caroline R.
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Mendoza, Joselito S.
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Mendoza, Mary Ann M.
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Mendoza, Romeo Jr. M.
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Mozar, Ellen M.
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**N**

Nadal, Nanita O.
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Natividad, Ma. Theresa D.
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Nuevas, Margaret V.

**O**

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**P**

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Putong, Fe H.
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**Q**

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**R**

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Relucio, Ma. Lourdes R.
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Reyes, Lilian P.
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Rivera, Radamis C.
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Roque, Anna Liese L.
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Rosuelo, Bernadette G.
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Rubrico, Minviluz O.

**S**

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Sicio, Irmina D.
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Simon, Ariel C.
Simplicio, Delhi C.
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Soriano, Lani B.
Suguitan, Christopher G.
Suguitan, Lynette L.
Sumawang, Ma. Cecilia C.
Sy, Emma D.
Sy, Myra S.
Sykimte, Baldwin L.

**T**

Tablizo, Edwin M.
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Tan, Abella M.
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Torres, Ernesto Jr. R.
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Tumang, Editha D.
Tumbokon, Nathanael A.
Turgo, Aurora P.

**U**

Unlayao, Jannel G.

**V**

Valdezco, Michael R.
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Vargas, Ricky R.
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Velasquez, Tessie P.
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Velilla, Josefina J.
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Victoria, Genoveva A.
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Villaluna, Nino Ray L.
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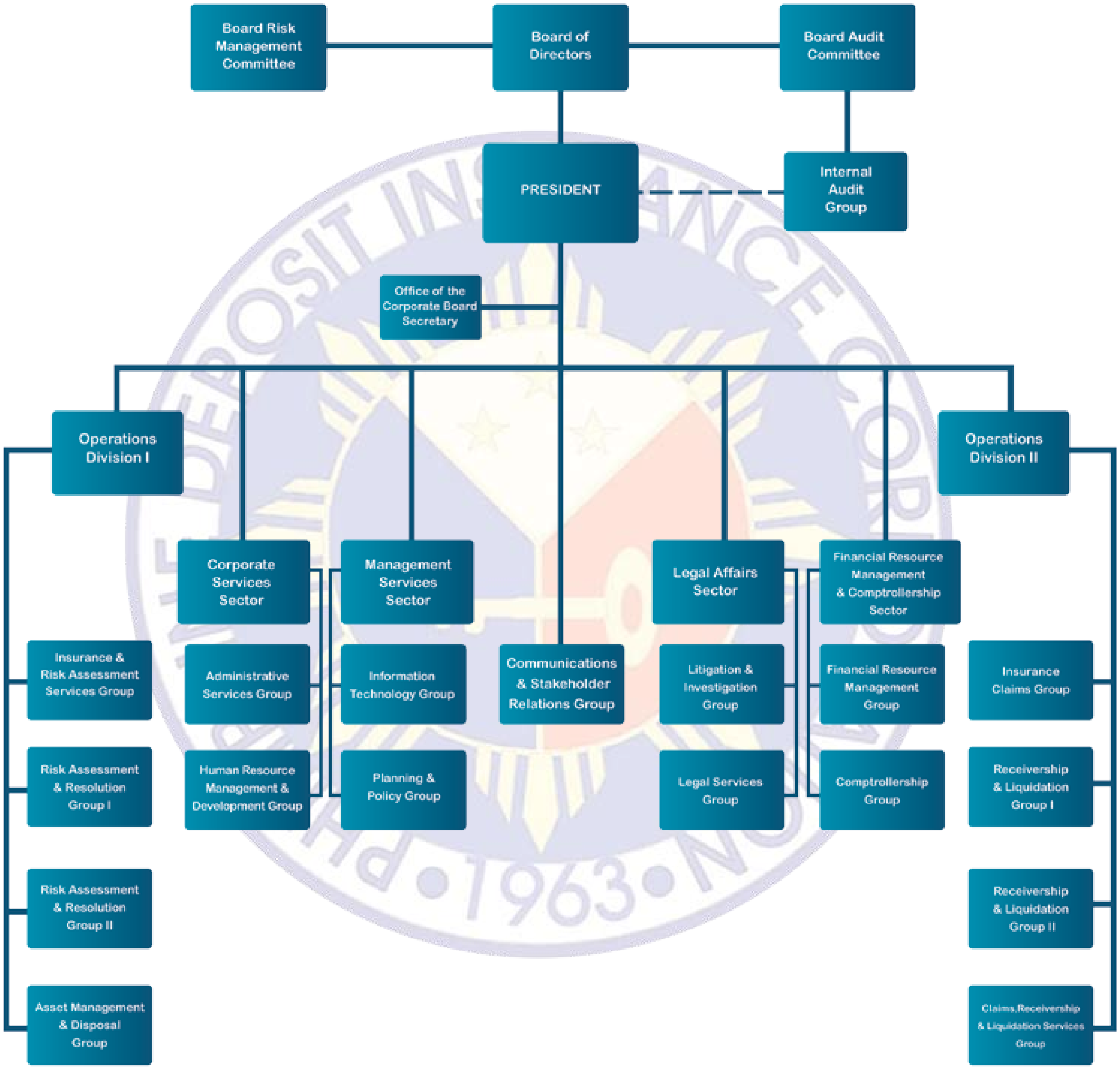
Villarama, Maria Melanie S.
Villareal, Joval L.
Villaret, Jose Jr. G.
Villegas, Ma. Ana Carmela L.
Villeno, Madeline T.
Vinas, Glen P.
Viray, Ana Rosa E.

**Y**

Ybanez, Antonio Errol Jr. B.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Board of Directors
Board Audit Committee
PRESIDENT
Internal Audit Group
Office of the Corporate Board Secretary
Operations Division I
Operations Division II
Corporate Services Sector
Management Services Sector
Legal Affairs Sector
Financial Resource Management & Comptrollership Sector
Insurance & Risk Assessment Services Group
Administrative Services Group
Information Technology Group
Communications & Stakeholder Relations Group
Litigation & Investigation Group
Financial Resource Management Group
Insurance Claims Group
Risk Assessment & Resolution Group I
Human Resource Management & Development Group
Planning & Policy Group
Legal Services Group
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Receivership & Liquidation Group I
Risk Assessment & Resolution Group II
Receivership & Liquidation Group II
Asset Management & Disposal Group
Claims,Receivership & Liquidation Services Group

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