



Philippine Deposit Insurance Corporation

Annual Report

2003

40 Years
of Depositor Protection

Vision

The Philippine Deposit Insurance Corporation, operationally responsive to the needs of the depositing public and the banking community; professionally managed, financially strong, adequately manned and equipped, toward the enhancement of sound banking and savings mobilization for national development.

The PDIC employee, an epitome of exemplary service.

Mission

As INSURER, provide adequate depositor protection and education and ensure immediate processing and settlement of depositor claims;

As REGULATOR, conduct diligent monitoring and examination of member banks and undertake prompt, decisive and prudent interventions;

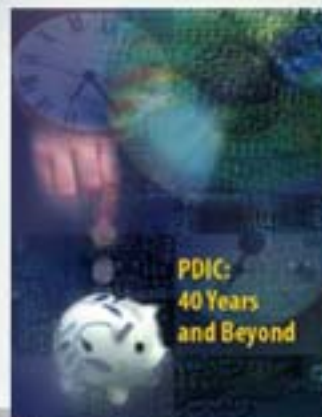
As RECEIVER, implement efficient receivership, judicious rehabilitation, and expeditious liquidation of closed banks.

Beliefs

Integrity, professionalism, resourcefulness, perseverance, teamwork, and developmental spirit are essential in accomplishing our missions;

Improvement of service delivery is a continuing commitment; and

People are our most important resource.





PHILIPPINE DEPOSIT INSURANCE CORPORATION

RICARDO M. TAN

President and Chief Executive Officer

July 2004

HER EXCELLENCY

PRESIDENT GLORIA MACAPAGAL – ARROYO

Malacañang Palace, Manila

Through : **The Honorable JUANITA D. AMATONG**
Secretary, Department of Finance
Chairman, PDIC Board of Directors

Dear Madame President:

I have the honor to submit the Annual Report of the Philippine Deposit Insurance Corporation for the year 2003. The Report highlights the major accomplishments and results of operations of the Corporation in strengthening depositor confidence in the stability of the banking system, while giving due recognition to the commitment and dedication of PDIC employees in rendering excellent public service.

As the Corporation commemorates 40 years of depositor protection, it affirmed its commitment to safeguard the interest of the depositing public.

The PDIC Board of Directors, management, and staff thank Her Excellency for her unstinted support to PDIC particularly to the proposed amendments to the PDIC Charter that should strengthen our mandate to protect the depositing public, mainly the small and unsophisticated.

Very truly yours,

A handwritten signature in dark ink, appearing to be "RT", is written over a light blue rectangular background.



PHILIPPINE DEPOSIT INSURANCE CORPORATION

RICARDO M. TAN

President and Chief Executive Officer

July 2004

The Honorable FRANKLIN M. DRILON

President of the Philippine Senate

The Honorable JOSE DE VENECIA JR.

Speaker of the Philippine House of Representatives

Through : **The Honorable JUANITA D. AMATONG**
Secretary, Department of Finance
Chairman, PDIC Board of Directors

Gentlemen:

I have the honor to submit the 2003 Annual Report of the Philippine Deposit Insurance Corporation pursuant to Section 15 of Republic Act 3591, as amended. The Report highlights the major accomplishments and results of operations of the Corporation in strengthening depositor confidence in the stability of the banking system.

On behalf of the directors of the PDIC Board, management, and staff, I thank your leadership and the entire Philippine Senate for lending your support to institute vital amendments to the PDIC Charter to achieve greater depositor protection.

Very truly yours,

A handwritten signature in dark ink, appearing to be "RT", is written below the closing "Very truly yours,".

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THE PRESIDENT'S REPORT

The Corporation continues to fulfill with dedication and vigilance its mission of protecting small depositors and helping promote public confidence in the stability of the banking system. The year 2003 marked PDIC's 40th anniversary since it was created in 1963 by virtue of Republic Act 3591. For the last 34 years¹, the Corporation has been steadfast in its commitment to protect the interest of the depositing public, the first 24 years solely as deposit insurer, and the following years with expanded mandate as receiver and liquidator of closed banks as well. Bolstered by this commitment, we have endeavored through the years to exceed our standards further and improve our effectiveness and efficiency in client servicing consistent with the highest standards of corporate governance.

Allow me to highlight some of our most significant achievements during the 40-year milestone:

In our thirty-four years of settling insured deposit claims, we have paid a total of P13.63 billion involving 1.47 million accounts. This represents almost 98 percent of total claims filed in closed banks. A most important achievement in this area though was the shortened claims servicing time or turn-around-time from bank takeover, from the former average of 28 calendar days in the 90's to six calendar days in 2003. This was achieved through increased number of manpower, provision of adequate equipment, automation, and streamlined processes and procedures. The faster turn-around time will be maintained and if possible, exceeded, to continue to meet our obligation to promptly settle insurance claims.

The Corporation has taken over 429 closed banks. As of end 2003, these banks have combined estimated realizable assets of P13.82 billion as against liabilities of P35.79 billion. Existing legal constraints in our liquidation efforts have seriously hampered our progress in this area. Since we were made the mandatory receiver/liquidator of closed banks in 1992, we have paid creditors of only 42 closed banks amounting to P7.59 billion, made up of P7.34 billion in liquidating and surplus dividends, P70 million in trust obligations, and P190 million in receivership and liquidation expenses. The amount represents a mere 34 percent of total estimated realizable assets of banks under receivership and liquidation. We have started to devise new schemes to facilitate our liquidation task and hopefully, we will realize the impact of these innovations by 2005. For 2003, 69 more projects of distributions (PODs) have been approved by the Board.

In the area of assisting distressed banks, the Corporation has extended to date a total of P101.16 billion in financial assistance to banks, either through direct loan, purchase of assets, assumption of liabilities, deposit placements, or a

combination of these four modes. A total of 142 rural banks also availed of financial assistance under Module 1 of the Countryside Financial Institutions Enhancement Program (CFIEP) amounting to P711.01 million while another 10 rural banks availed of the merger incentive program under Module 3 amounting to P75 million.

For 2003 alone, a total of P28.85 billion was extended to three banks whose operations have significant impact to the banking industry and in the community where they are operating. The financial assistance policy is currently being refined, with emphasis on the principles of good governance and the need to mitigate moral hazards, among others.

Reflective of a viable and stable deposit insurance system, allow me to present to you the Corporation's financial performance for 2003. Total resources rose 28 percent to P125.78 billion from P97.91 billion posted in the previous year. Investments in both long and short-term government securities amounted to P34.19 billion, while financial assistance to banks totaled P68.31 billion. Both of which account for 81 percent of PDIC's total resources. The Deposit Insurance Fund rose from P36.71 in 2002 to P38.72 billion this year, covering 8.4 percent of total insured deposits in the banking system. A decade ago, the DIF stood at only P6.95 billion, covering only 3.2 percent of total insured deposits.

Also in 2003, we remitted a total of P1.15 billion in dividends to the Bureau of the Treasury, P1.0 billion representing the balance of P2.0 billion declared in 2002, and additional P150 million representing dividends for 2003.



¹ PDIC became operational in 1969



Contributing significantly to government coffers, the Corporation has remitted about P11 billion in dividends and taxes to the government in the past five years. This is on top of the liquidation and surplus dividends remitted to the National Government from assets of closed banks which to date totaled P2.63 billion.

In 1992, the PDIC Charter was amended to bestow the Corporation the authority to conduct independent examination of banks and to be the mandatory receiver and liquidator of closed banks. In 2000 however, our examination power was repealed with the enactment of the General Banking Law 2000, which has severely restricted our risk management capabilities. To resolve our inability to gain access to first-hand information on banks, we coordinated closely with the Bangko Sentral ng Pilipinas (BSP) towards strengthened information exchange. Thus, a Memorandum of Agreement was signed last November 2002 covering sharing of information on BSP reports of examination and PDIC Off-site Analysis reports, bank financial reports, and early warning indicators. Discussions are taking place towards Phase 2 of the agreement, which involves sharing of more critical information and closer coordination for the enforcement of prompt corrective action and remedial measures.

Aware of the limitations and constraints in our legal framework, we have intensified in 2003 our legislative campaign for the passage of the amendments to the PDIC Charter. By year-end, we have been successful in having the Senate and the House versions of the PDIC bills amending the PDIC Charter deliberated until third reading in both houses of Congress.

To better fulfill our mandate and our commitment to greater effectiveness, we have carried out an organizational restructuring and functional streamlining program that bifurcated our organization into two major operational groups. The result is a leaner and right-sized structure, with total authorized manpower complement reduced by 15 percent, from 1,237 (2000) to 1,046 (2003). The new structure will be revisited periodically to assess its effectiveness. We have also pursued integration of major processes and systems to ensure efficiency and effectiveness of our services.

During our 40th founding year, President Gloria Macapagal Arroyo issued Proclamation No. 358 declaring June 16-22 of every year as Depositor Protection and Awareness Week, thus, giving vital importance to the mandate of PDIC in upholding depositor protection and in enhancing public confidence in banking.

Also in commemoration of our 40th year, we have retraced our steps from the day PDIC was established in 1963 to the time we took on a more significant role in the financial safety net system with the publication of a book that chronicles our 40 years of service to the depositing public. The book, *PDIC: 40 Years and Beyond*, was first made public in compact disc copy during the celebration of our 40th founding year. The year 2003 was also the birth of our very own policy research publication, the *PDIC Forum*. The *PDIC Forum* provides fresh insights about relevant issues and developments in banking and the financial system through in-depth articles and interviews with key policy and decision makers, and relevant data and statistics promoting meaningful discussions helpful in policy formulation and in fostering greater awareness on the role of PDIC in the system. The first issue was off the press in December 2003, and was released and disseminated to member banks particularly rural banks in far-flung areas without electronic access to information in February 2004.

Strengthening institutional global linkages, we have continued to be an active participant in the conferences of the International Association of Deposit Insurers (IADI), where I was elected member to the organization's Executive Council. As part of our effort to foster mutual cooperation among peer deposit insurers, we have continued to welcome visiting officials from foreign deposit insurance institutions to facilitate exchange of ideas and sharing of experiences.

Serving the public for almost four decades, we shall continue to build on our past achievements, sustaining, and if possible, surpassing, our successes. Most critical is our preparation to the future enactment of the amendments to our Charter which to us will provide the necessary means to safeguard the interest of the depositing public. We prepare ourselves to face these challenges and surmount difficulties to live up to our mission. With teamwork, and with the support and cooperation of our stakeholders, we shall work towards a revitalized PDIC, effective in fulfilling its expanded mandate and vigilant in its stewardship in protecting the depositing public and in preserving the Deposit Insurance Fund.

A handwritten signature in black ink, appearing to read 'Ricardo M. Tan'.

Ricardo M. Tan

President and Chief Executive Officer



ECONOMY AND BANKING

THE ECONOMY

Strong consumer spending sustained Philippine economic growth in 2003 fueled by remittances from Filipinos abroad. Domestic output represented by the Gross Domestic Product (GDP) grew slightly to 4.7 percent in 2003 from 4.3 percent in 2002.

Consumption of households continued to be the primary driver of demand as personal consumption expenditures rose by 5.3 percent as against 4.1 percent last year. The growth was spurred by remittances from overseas Filipino workers amounting to \$7.6 billion in 2003, which was about 10 percent of GDP. Stable prices likewise contributed to increased consumption given a subdued average inflation rate of 3 percent, slightly lower than 3.1 percent posted in 2002 and below the full-year target of between 4.5 percent and 5.5 percent in 2003.

Investments in the country, as measured by capital formation, grew marginally by 0.1 percent in 2003 following a contraction of 5 percent in 2002. Fixed capital grew by 2.9 percent because of the increased purchases in durable equipment by 8.5 percent, but growth in capital formation was dampened by a decline in construction of 2.9 percent.

The peso-dollar exchange rate further deteriorated from an average of P51.60 to the dollar in 2002 to P54.20 in 2003,

reflecting volatility and susceptibility to uncertainties drawn by political developments in the country. The peso hit an all-time low of P55.77 to the dollar on 28 November 2003. The 5 percent depreciation of the peso was unable to stop the surge of imports.

The export sector benefited from the peso depreciation as cheaper products help nudge export growth from 3.6 percent in 2002 to 4.4 percent. Increased exports of sugar, tuna, and coconut oil contributed to export growth despite the decline of major items in value terms such as garments, semiconductors, and electrical machinery as global demand for these items faltered. Export markets also became more diversified as share of exports shifted from traditional trading partners, the U.S. and Japan, to Asia (*Table 1*). Philippine exports to the US contracted by 18 percent in 2003 while those to ASEAN countries and China showed higher growth rates than exports to the US and Japan from 2001 to 2003. On the other hand, imports accelerated from 4.7 percent in 2002 to 10.2 percent in 2003, worsening the trade deficit. The growing expenditures on imports were mostly on durable equipment, comprised of electrical and non-electrical machinery.

Table 1.
Philippine Exports to Selected Countries
F.O.B. in Million US Dollars

Country	2001	2002	2003
U.S.	8979.5	8670.6	7079.2
% Growth	21.0	3.4	18.4
Japan	5060.1	5277.7	5755.3
%Growth	9.8	4.3	9.0
Asia (ASEAN + China)	5711.7	6733.6	8411.2
%Growth	12.8	17.9	24.9

Sources: National Statistical Coordination Board; BSP website for data in 1999 and prior; data for ASEAN countries comprise Indonesia, Malaysia, Singapore, and Thailand

Table 2.
Domestic Product by Expenditure Share
Growth Rates at Constant 1985 Prices

Expenditure Type	1999	2000	2001	2002	2003
GROSS DOMESTIC PRODUCT	3.4	4.4	3.2	4.3	4.7
Personal Consumption	2.6	3.5	3.6	4.1	5.3
Government Consumption	6.7	6.1	0.3	3.7	0.5
Capital Formation	(2.0)	5.5	1.3	(5.0)	0.1
Fixed Capital	(2.3)	3.1	(2.2)	1.4	2.9
1. Construction	(0.3)	2.6	(3.0)	(2.3)	(2.9)
2. Durable Equipment	(5.0)	3.6	(2.7)	4.8	8.5
3. Breeding Stock & Orchard Dev't.	1.2	3.7	5.8	3.3	2.4
Exports	3.6	17.7	(5.2)	3.6	4.4
Imports	(2.8)	4.0	(0.8)	4.7	10.2

Source: National Statistical Coordination Board



National Government (NG) Expenditures and Revenues

Government consumption barely expanded, growing slightly by 0.5 percent in 2003 compared to a 3.7 percent contraction in 2002 (*Table 2*). This reflected the public sector's efforts to curb the persistent budget deficit, which tapered from P211 billion in 2002 to P199 billion in 2003. The inability of the government to generate revenues to sufficiently finance its expenditures has forced it to resort to additional borrowings from domestic and foreign sources to bridge the budget deficit. Interest payments have continued to rise, diverting resources otherwise spent on basic services.

The peso depreciation and the government's continued need for cash to finance its operations pushed the average 91-day Treasury Bill rate from an average of 5.4 percent in 2002 to an average of 6 percent in 2003. The T-bill hit a high of 7.3 percent in April but steadily slid down until August. Rates started to rise in September and ended the year at 6.4 percent.

On the production side, Agriculture, Fishery and Forestry yielded higher growth due to favorable weather conditions that prevailed in 2003. Despite growth in manufacturing, Industry slowed down with poor performance of Construction. It was the Services sector that again led the output expansion with major contributions from Trade, Communications and

Private Services, as well as from the recovery of Finance and Banking. The banking industry improved its performance in 2003, growing by 6.7 percent from 2.4 percent in 2002.

THE BANKING INDUSTRY

Banks remain to be a driving force in the economy, although low asset quality slowed down intermediation activities. The banking sector continues to account for the bulk of the output of the financial sector contributing 69.3 percent of the sector's output with the balance provided by non-bank financial institutions.

The banking system's overall resources recorded an expansion of 5.4 percent in 2003 from P3.48 trillion to P3.66 trillion. Expansion was mainly financed through the generation of new deposits which grew by 4.9 percent or over P116 billion year-on-year. In general, banks remained cautious and selective in their lending activity given the overhang of a large volume of non-performing assets (NPA). Although asset quality showed some signs of relief with ratio of NPA to total resources slightly dropping to 13.6 percent from 13.9 percent, improvement is dismal as over half a trillion or P523 billion of the industry's assets are still considered non-earning.

Chart 1.
National Government (NG) Expenditures and Revenues
Amounts in Billion Pesos at Current Prices

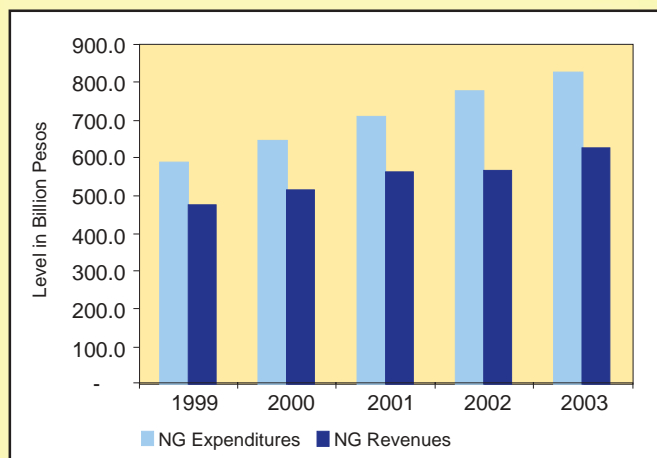
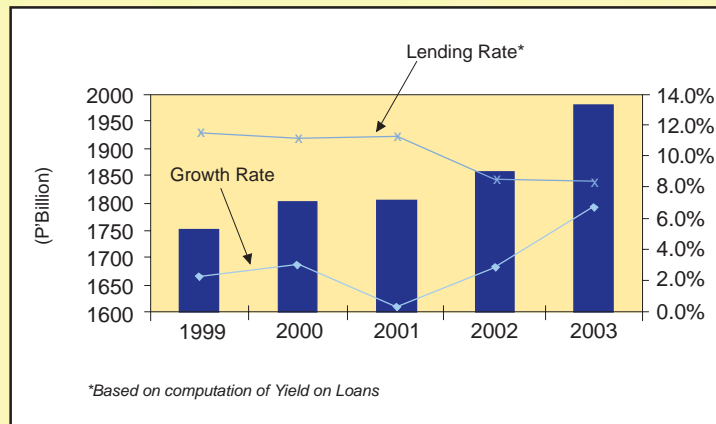


Chart 2. Loans





Given the industry's lukewarm sentiment on further expanding their lending portfolio, loans only grew by 6.7 percent compared to 13.7 percent increase in liquid investments. With fixed income placements increasing by almost P11 billion year-on-year, liquidity level remains high with over 32 percent of the industry's resources lodged in quick assets.

Despite the NPA overhang hampering profit potentials, banks recorded a higher net income of P39.9 billion after tax, a boost of 52 percent from previous year. Interest expense was maintained at P102 billion in 2002 and 2003 as banks managed its servicing by reducing their borrowing cost (i.e., total interest expense to total deposits and borrowings) from 3.9 percent to 3.7 percent to mitigate against growth in deposits. With managed interest expense servicing combined with improvements in loan collections and reliable periodic earnings from increasing liquid placements, net interest income improved to P10.9 billion in 2003, P6 billion better than its 2002 level. Other income generating sources like bank commissions, service fees, foreign exchange trading and extraordinary gains also contributed to higher recorded net earnings. The P19.1 billion realized gains from the disposal of acquired assets alone already account for almost 40% of the industry's pre-tax profits.

Though profits have increased with both returns to equity (ROE) and assets (ROA) improving from 7.8 percent to 8.4 percent, and 0.8 percent to 1.1 percent, banks need to further enhance earning capacity to provide capital base with adequate reinvestment to cover against high levels of NPA. Disposition through the Special Purpose Vehicle (SPV) is being pursued to minimize threat to industry solvency. The BSP, in support of the Special Purpose Vehicle (SPV) in 2002, issued a regulation which gives banks seven years to stagger the recognition of losses from the discounted NPAs to SPVs. This regulation is expected to encourage banks to dispose of NPAs, thus create fresh funds for lending intended to stimulate economic growth.

Chart 3.
Non-Performing Assets

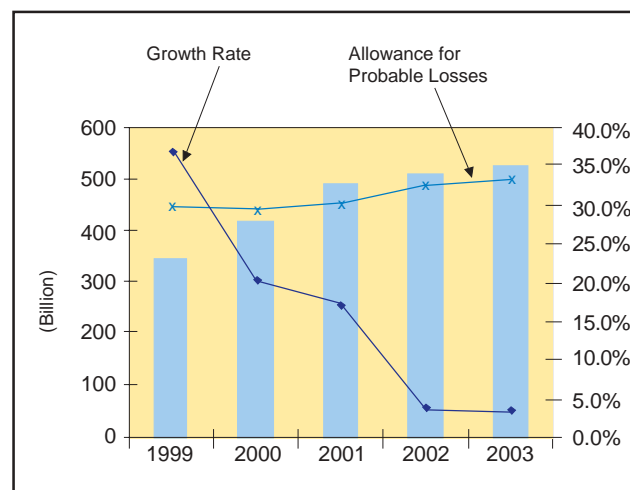
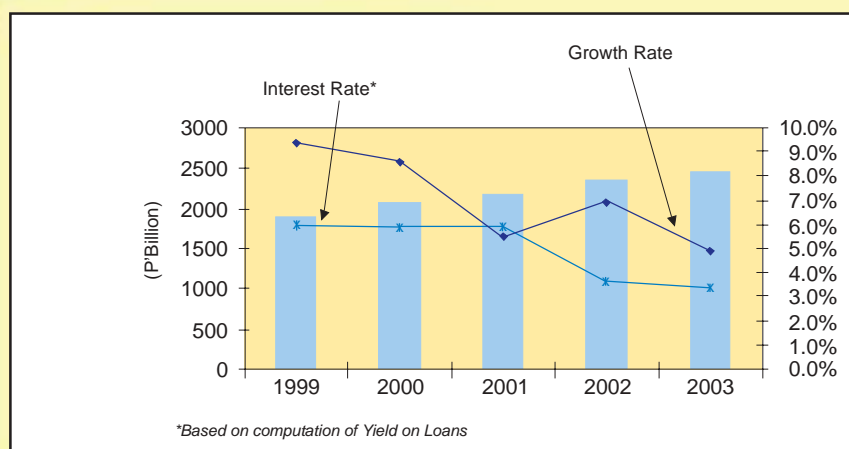


Chart 4.
Deposits in the Banking System



¹ Per Monetary Board Resolution No. 135 dated 5 February 2004, the 7-year period for loss recognition has been extended to 10 years.

INSURANCE, RISK ASSESSMENT AND RISK MANAGEMENT



Assessment Collections

Assessment collections grew 6.3 percent to P4.72 billion, reflecting an expanding deposit base. Commercial banks contributed a hefty 90 percent of total collections, thrift banks accounted for 8 percent, while rural banks, 2 percent of the total pie.

Estimated insured deposits (EID) in all the 897 member-banks reached P462.57 billion by end 2003, almost 4 percent higher than the previous year-end level of P445.85 billion in 909 member-banks. Total deposits from 897 member banks, on the other hand, amounted to P2.45 trillion, growing 5 percent from 2002 level. EID to total deposits ratio remained at 19 percent as in 2002. Ratio of Deposit Insurance Fund (DIF) to EID improved to 8.4 percent from the previous 8.2 percent.

The DIF is used to pay insured deposit claims or extend financial assistance to distressed banks. It is made up of the Permanent Insurance Fund, amounting to P3 billion at present, the Estimated Insurance Losses (EIL), and retained earnings. The EIL represents provisions to cover losses likely to be incurred in bank closures.



As risk minimizer, the Bank Performance Monitoring Department conducts off-site monitoring electronically, processes bank reports and classifies banks by risk ratings.

Table 1
Deposit Liabilities and Assessment Collection from Member Banks
(Amounts in Billion Pesos)

Bank Type	2002				2003			
	Member Banks	Total Deposits	Insured Deposits	Assessment Collections	Member Banks	Total Deposits	Insured Deposits	Assessment Collections
Commercial Banks	42	2,112.04	366.20	4.00	42	2,196.46	376.59	4.24
Thrift Banks	94	172.77	47.09	0.34	92	196.96	49.65	0.36
Rural Banks	773	54.73	32.56	0.10	763	62.21	36.33	0.11
Total	909	2,339.54	445.85	4.44	897	2,455.63	462.57	4.72

Note: Deposit data refer to deposits in PDIC members banks, excluding deposits in overseas branches



In a move to enhance the complementary functions of PDIC and BSP in risk management initiatives, the two agencies formalized in 2003 the implementing guidelines for the initial phase of their information sharing agreement.

Salient features of the agreement include information sharing on pre-licensing individual bank data, banking industry statistics and reports, early warning indicators, and regulatory issuances and circulars. It further provides for the establishment of a Joint Committee on Reports and Information to discuss and resolve issues relative to data exchange and other matters of mutual interest and concern to BSP and PDIC.

Phase II of the agreement, which was also drafted in 2003, covers sharing of more sensitive bank information and provides for closer coordination between the two agencies in promptly enforcing remedial measures for troubled banks through the formation of a Joint Committee on Problem Bank Resolution.

Financial Assistance

Extending financial assistance (FA) to member banks forms an integral part of PDIC's mandate as risk minimizer, borne out of its primary role in helping promote stability and public confidence in the banking system.



PDIC adopts risk-based monitoring, classifying banks by risk ratings to determine banks in need of prompt intervention.

The grant of financial assistance may be given to help banks in distress, or aid a bank or a *white knight* acquiring control of, merging with, or acquiring the assets of an insured bank in danger of closing. Financial assistance may come in the form of loans, purchase of assets, assumption of liabilities, placement of deposit, or any combination of the four.

In the grant of financial assistance, however, the fundamental principle is that the estimated amount of assistance given to a bank must be *less than or equal to the*

Table 1
Deposit Insurance vs. Insured Deposits
As of December 31, 2003
(Amount in Million Pesos)

	2003	2002	2001
DIF	38,722	36,709	31,497
PIF	3,000	3,000	3,000
EIF	33,363	31,427	28,133
RE	2,358	2,281	363
Donated Surplus	0.5	0.5	0.5
Contingent Surplus	-	0.4	0.4
Total Deposits	2,339,538	2,455,634	2,188,150
Insured Deposits	445,852	462,574	417,529
DIF/TD	1.6%	1.6%	1.4%
DIF/ID	8.4%	8.2%	7.5%

Source: BPMD



estimated cost that PDIC would incur if the bank were to be closed.

The grant of financial assistance to any bank is a necessary corrective measure to threats of bank failures including those failures that may have systemic consequences.

The Corporation extended P28.85 billion in assistance to two banks namely, United Coconut Planters Bank (UCPB) and Planters Development Bank (PDB) for its acquisition of distressed Region Bank.

The UCPB was extended financial assistance amounting to P27.50 billion, of which P7.50 billion was short-term fully secured liquidity assistance, while the rest was for rehabilitation purposes. Aside from being owned predominantly by coconut farmers, UCPB's significant position in the financial community and the attendant consequences and implications of its closure called for the extension of financial assistance. The bank, which has a

network of 187 branches, ranks 9th among commercial banks in terms of deposit base at P82.77 billion, with P12.72 billion in insured deposits.

PDB, on the other hand, was extended a P1.352 billion in financial assistance for acquiring Region Bank which ranks highest in terms of deposit base among rural banks (as of March 2003). Assistance was extended to the bank to provide protection to more than 21,000 deposit accounts and to enable PDB to maximize operations of Region Bank's 11 branches, thus minimizing disruption of services to its clientele.

Of the P71.48* billion in outstanding financial assistance as of 2003, P28.94 billion was in the form of direct loan while P42.54 billion involved purchase of assets.

In step with the principles of good governance and in an effort to mitigate moral hazard, the Corporation revisited in 2003 its policy on the grant of financial assistance to banks in danger of closing.

*excluding Countryside Financial Institutions Enhancement Program



CLAIMS SETTLEMENT

Central to PDIC's performance of mandate and service delivery is ensuring that depositors get back their insured deposits immediately after a bank is ordered closed.

Shortened claims servicing time

For 2003, the Corporation improved its claims servicing time from bank takeover as a result of improved processes, additional resources, and deployment of more manpower with longer working hours during takeover and claims servicing operations.

Out of the 14 closed banks, (10 closed in 2003, two in 2002, and two in 2000), target turnaround time was met in 10 out of 12 banks (excluding the banks closed in 2000) where claims payout commenced in 2003. This represented an 83 percent accomplishment rate in meeting target claims servicing time, an improvement from the previous year's ratio of nine out of 13 closed banks.

One of the remarkable milestones in the area of claims settlement in 2003 was achieving one of the shortest claims



Deploying more people during bank closures and improving processes translate to shorter claims servicing time.

servicing time from bank takeover that was recorded in the history of PDIC. The Corporation achieved a turnaround time of six calendar days from bank takeover to start of claims settlement operations in the closed Cooperative Bank of Pangasinan.

Closed Cooperative Bank of Pangasinan

Improved processes + greater resources = shorter claims servicing time

The speed through which the six-calendar day turnaround time was achieved in the closed Cooperative Bank of Pangasinan demonstrated PDIC's commitment to finding ways to shorten the waiting time of depositors of closed banks in getting their money back. Apart from instituting a number of procedural innovations, PDIC also boosted its resources in terms of manpower and equipment used, to meet a record-setting turnaround time for the closed Pangasinan bank.

The examination and verification process done in the closed bank showed the many firsts in PDIC's claims settlement operations' recent history. It was the first time that more than the usual number of claim agents and support staff was deployed. It was the first time that our employees worked in shifting schedules, almost 24 hours a day. Submission of progress reports were made electronically. The presettlement examination reports

and supporting schedules were approved immediately with the authority to approve delegated to the Vice President of the Insurance Claims Group from the President and Chief Executive Officer. As was done previously, examination of problem accounts for further verification, which normally would have been completed before payout operations, was also made simultaneous with claims payout operations.

The success through which claims processing was achieved at this cooperative bank tells us how we can deliver more, cutting down the waiting time of depositors in getting back their insured deposits, despite the challenging operating environment we encounter during bank takeover and claims settlement. One thing is clear, a more responsive and a more efficient claims settlement operations is always a continuing corporate priority at PDIC.



Exceeding corporate targets, the Corporation achieved claims servicing time of 24 calendar days compared to target 35 days for bank with non-problematic records, and 32 days, versus the target 50 days for multi-unit banks with non-problematic records.

Meanwhile, the issuance of a string of Temporary Restraining Orders (TROs) against the closure of rural banks of Tuy and Balayan in 2000 delayed the takeover and claims settlement operations in the banks. When PDIC finally took over the closed banks in May and June 2003, respectively, after the Supreme Court upheld PDIC's legal authority, claim agents discovered that the bank records were already missing. PDIC had to retrace the list of deposit accounts by securing such data from the BSP based on its last examination of the banks. This served as the basis for payment of insurance claims (*See related text on p. 15.*)

Claims processing and settlement

In 2003, the Corporation was able to process and service the claims of the depositors of 14 banks, with total deposits worth P702.50 million comprising 34,204 accounts. Estimated insured deposits in these banks amounted to P594.80 million involving 34,187 accounts. Insured deposit claims processed and paid during the year reached P505.69

million, representing 11,124 accounts, while insurance claims payments made from carryover of previous claims settlement operations amounted to P116.36 million involving 12,864 accounts. This brings the total insured deposits paid to P13.64 billion involving 1.47 million accounts since PDIC started payout operations in 1970.

Of the 1.5 million claims filed amounting to P14.22 billion as of year-end, some 36,159 accounts amounting to P578.86 million remain unsettled due partly to document deficiencies. Some unsettled accounts, however, need further verification and legal resolution, while other accounts involved very small balances that depositors did not bother to claim.

Claims for subrogated deposits

In 2003, PDIC filed claims for subrogated deposits amounting to P879.15 million in 15 closed banks bringing the total claims filed as of yearend to P5.35 billion. This represents some 39 percent of total subrogated deposits valued at P13.64 billion from 432 banks.

Meanwhile, recoveries on subrogated deposits for the same year reached P219.99 million from 20 closed banks, comprising a mere 2 percent of the total subrogated deposits.

Recoveries were considerably low due to difficulty in disposing assets of poor quality that remained in closed banks. This underscores the importance of the early closure

Table 1
Claims Settlement Operations (CSO)
As of December 31, 2003
(Amount in Million Pesos)

Particulars	Closure Date	CSO	Banking Units	Total Deposit Liabilities		Estimated Insured Deposits		Claims Filed		Insured Deposits Paid	
				Accounts	Amount	Accounts	Amount	Accounts	Amount	Accounts	Amount
Banks started CSO prior to 2003				5,605,427	30,463.96	1,979,653	14,259.76	1,496,002	13,664.14	1,460,538	13,130.73
Banks started CSO in 2003			23	34,204	702.50	34,187	594.80	11,819	554.14	11,124	505.69
1. Rural Bank of Tuy (Batangas), Inc.*	04/17/00	07/24/03	1	28	0.07	28	0.07	15	0.06	14	0.06
2. Rural Bank of Balayan (Batangas), Inc.*	05/02/00	07/24/03	1	307	8.37	307	8.37	285	7.88	278	7.85
3. Rural Bank of Bislig (Surigao del Sur), Inc.	11/25/02	01/07/03	1	705	5.27	704	4.90	178	2.57	174	2.20
4. Meycauayan Rural Bank (Bulacan), Inc.	11/29/02	01/14/03	7	8,757	201.74	8,753	198.43	3,342	192.44	3,254	189.72
5. Rural Bank of Echague (Isabela), Inc.	02/03/03	02/20/03	1	421	5.05	419	4.03	166	3.73	160	3.70
6. Cooperative RB of Misamis Occidental (Misamis Occidental), Inc.	02/24/03	03/21/03	1	1,966	32.50	1,966	12.90	344	11.17	322	10.85
7. Bauan Rural Bank (Batangas), Inc.	05/09/03	07/01/03	1	1,842	142.66	1,833	67.48	1,311	60.30	1,237	53.45
8. Network Bank of La Union	06/27/03	07/29/03	2	703	22.38	703	22.00	358	20.14	354	20.00
9. Rural Bank of Pulilan (Bulacan), Inc.	10/03/03	10/27/03	1	6,448	169.30	6,448	168.15	2,631	164.48	2,261	133.36
10. TG Bank (RB San Pablo City, Inc.)	10/03/03	10/25/03	1	1,692	26.14	1,692	25.79	599	24.09	597	23.99
11. RB Bombon (Camarines Sur), Inc.	10/10/03	10/28/03	2	623	8.59	622	8.40	258	7.24	241	6.48
12. Cooperative Bank of Davao Oriental, Inc.	10/17/03	11/18/03	2	5,407	14.97	5,407	10.61	1,436	7.04	1,390	6.39
13. Rural Bank of Maco (Compostela Valley), Inc.	11/07/03	11/28/03	1	596	3.48	596	3.43	201	2.31	201	2.31
14. Cooperative Bank of Pangasinan, Inc.	12/05/03	12/11/03	1	4,709	61.98	4,709	60.23	695	47.69	641	45.35
Grand Total				5,639,631	31,166.46	2,013,840	14,854.55	1,507,821	14,215.29	1,471,662	13,636.42

*Re-take over by PDIC was effected only in 2003 following final decisions of the Supreme Court confirming legality of the bank's closure. A temporary restraining order and resistance from the bank's owner prevented PDIC from taking over the bank when it was ordered closed in 2000.



of troubled banks so that PDIC can take over the affairs of the bank immediately thus, preventing the dissipation of the assets, and ensuring that such assets are properly managed and promptly disposed of for the benefit of the bank's creditors.

Table 2
Pending Claims
Cumulative Year-end 2001-2003
(Amount in Million Pesos)

STATUS		2001		2002		2003	
			% share to total		% share to total		% share to total
Awaiting Depositors to Claim Payment of their Insured Deposits. Depositors have been notified of the approval of their claims	Accounts Amount	13,586 34.21	31% 4%	12,872 34.85	31% 5%	12,216 28.62	34% 5%
Awaiting Depositors to Submit Documents Necessary to Complete their Claims. Depositors have been notified of the required documents.	Accounts Amount	19,483 355.40	45% 41%	17,951 219.84	44% 29%	16,364 200.69	45% 35%
Awaiting Resolution of Legal Issues/ Verification of Deposits Claimed	Accounts Amount	10,265 484.24	24% 55%	10,436 491.30	25% 66%	7,579 349.56	21% 60%
TOTAL	Accounts Amount	43,334 873.85	100% 100%	41,259 746.00	100% 100%	36,159 578.86	100% 100%

	2001		2002		2003	
	Accounts	Amount	Accounts	Amount	Accounts	Amount
Does not include the following:						
1. Accounts not in the masterlist	1,436	93.71	1,721	189.46	922	107.26
2. Accounts with adverse claims	138	1.02	139	1.02	1	0.00
3. Excess amount and tax		373.88		293.41		223.05
Total	1,574	468.60	1,860	483.89	923	330.32

Table 3
PDIC Claims for and Recovery of Subrogated Deposits
As of December 31, 2003
(Amount in Million Pesos)

Particulars	2001		2002		2003	
	No. of Banks	Amount	No. of Banks	Amount	No. of Banks	Amount
Subrogated Deposits	405	P 12,362.48	418	P 13,014.37	432	P 13,636.42
Claims filed by PDIC against the closed banks	348	3,720.22	369	4,469.32	384	5,348.47
Claims in process	57	8,642.26	49	8,545.05	48	8,287.95
Recoveries on Claims Filed	42	P 1,569.19	43	P 1,675.90	63	P 1,895.89
Partial Recovery	7	968.86	6	1,033.31	8	262.32
Full Recovery	35	600.33	37	642.58	55	1,633.57
Claims Filed but not yet recovered	306	P 2,151.03	324	P 2,793.42	321	P 3,452.58
Ratios						
Recoveries to Subrogated Deposits	10.37%	12.69%	10.29%	12.88%	14.58%	13.90%
Recoveries to Total Claims Filed	12.07%	42.18%	11.65%	37.50%	16.41%	35.45%



As part of PDIC's continuing policy to put in place reforms aimed at improving service delivery and operating efficiency, the Corporation finalized plans of outsourcing some of the liquidations operations of PDIC. The partial outsourcing of the liquidation functions also included the management and disposal of assets acquired by the Corporation as a result of financial assistance extended to banks. It was intended to relieve PDIC of perennial procedural bottlenecks in liquidation. The backdoor processing of the bank liquidation functions was initially approved for pilot run in seven closed banks. These banks have combined estimated realizable assets of P1.46 billion and liabilities of P4.86 billion. In line with the objective of hastening the liquidation of the banks, PDIC has set a maximum period of four years for the two thrift banks and two years for the five rural banks, within

which an outsource service provider should complete the liquidation operations.

Takeovers

In 2003, 10 rural banks were ordered closed by the Monetary Board and placed under PDIC receivership.

These closures brought to 429 the total number of closed banks under the Corporation's receivership and liquidation management. Of the 429 closed banks, two are commercial banks, 52 are thrift banks while 375 are rural banks. As of year-end, the combined estimated realizable value of assets (ERVA) of these 429 closed banks totaled P13.9 billion, while liabilities amounted to P35.08 billion. The ERVA is made

PDIC stages re-takeover of Rural Banks of Tuy and Balayan

The Receivership and Liquidation Group heaved a sigh of relief with the peaceful re-take over of Rural Banks of Tuy and Balayan in Batangas in May and June of 2003 after two failed attempts in 2000.

The milestone move has put an end to protracted legal cases over the closure and PDIC takeover of the troubled banks. Bank owner Mr. Ruben Rodriguez initially managed to delay the procedure by securing a string of Temporary Restraining Orders (TROs) from the lower courts in an attempt to overturn the closure order. Showing strong resistance against the Monetary Board's closure order, the bank owner also kept his bank premises under heavy guarding by armed personnel.

The takeover team left Manila early in the morning and proceeded to the PNP station in Batangas for final briefing while it awaited clearance from the military to proceed to the bank.

Successfully, the team took over the bank unrestricted by the bank owner and was able to proceed with its receivership activities. But unfortunately, the takeover team was in for another surprise. The earlier failed attempts to take over the banks gave an opportunity for the bank owner to take away important bank records.

The takeover team had to painstakingly re-trace the bank documents and reconstruct the records for the sake of the bank depositors and creditors.

In planning for its final takeover, timing was of paramount importance as this helps ensure a



1) Ms. Aurora C. Baldoz (right), Vice-President for Receivership and Liquidation and head of the takeover team, assures depositors of the closed RB Tuy; 2) as another member of the team tries to open the bank vault.

synchronized system of implementing the closure order. Planning the takeover also involved meticulous coordination with the local police and military officers, and with media particularly, the ABS-CBN which documented the operation.

After the re-takeover, PDIC filed two criminal cases against bank owner Mr. Rodriguez, one each for RB Tuy, and for RB Balayan, for violations of the General Banking Act.

It is rare that PDIC encounters too many troubles and risks in taking over the affairs of a closed bank as what happened in RBs Tuy and Balayan but despite this, the Corporation carried out a successful re-takeover, finally putting an end to the anguish of bank depositors and creditors whose money was trapped in these two banks that initially refused to be closed.



up mainly of loan receivables (35 percent), liquid assets (28 percent), and acquired properties (37 percent).

Asset Administration and Recovery

Recoveries during the year amounted to P420.5 million. These were generated from loan collections of P251 million; sale of acquired real properties, bank premises, office furniture and equipment in the total amount of P81 million; and from foreclosure of collaterals, rental income and other sources such as interest earnings on bank accounts maintained by PDIC for and in behalf of closed banks totalling P88.5 million.

Majority of the closed banks' loan receivables, which are secured by real estate mortgages, were either rediscounted with or assigned to the BSP or to Land Bank of the Philippines (LBP). As assignee/pledgee, the BSP and LBP have advised the loan borrowers to make payments directly to them. While there are some borrowers who paid to PDIC, the payments were remitted by the Corporation to the assignees/pledgees of the loans.

PDIC continues to manage the investible funds of closed banks. As of year-end, the funds held in trust by PDIC for the closed banks totaled P3.86 billion. Seventy two percent of these funds was placed in short-term investments,

specifically, in time deposits (P2.59 billion), special savings deposit (P88 million) and in treasury bills (P99 million). The other 28 percent are in long-term securities, particularly, fixed-rate treasury notes/bonds (P1.01 billion) and global bonds (P71 million).

Distribution of Assets

The PDIC Board approved during the year the projects of distribution (PODs) of funds and non-cash assets to creditors of 69 closed banks. This brought to 138 the number of partial/final PODs that PDIC has initiated since it became the mandatory receiver/liquidator of closed banks in 1992. Payments to creditors during the year in the amount of P455.92 million brought to P7.59 billion the total amount of claims that have been paid as of end 2003 of which, P2.6 billion has been paid to the National Government.

Table 1
Closed Banks under Receivership and Liquidation
As of December 31, 2003

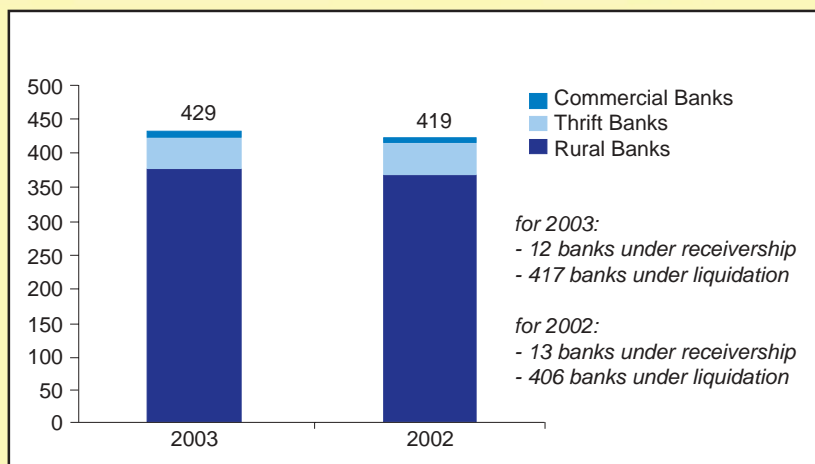




Table 2
Closed Banks with Approved Projects of Distribution by Liquidation Court
As of December 31, 2003
(Amount in Million Pesos)

Closed Bank	Closure Date	Date of Court Approval of POD	Approved Amount for Distribution/ Payment	Claims/Liquidating Dividends Paid						R/L Expenses Paid	Trust Fund	Total Amount Distributed/ Paid
				National Government /2	PDIC	BSP	CB - BOL	OTHERS /3	TOTAL			
Commercial Bank												
1 Pacific Banking Corporation	07/05/85	various	3,838.65	597.34	0.96	89.46	2,958.13	107.37	3,753.26	69.63	-	3,822.89
Thrift Bank												
2 Regent Savings and Loan Bank	06/18/84	06/07/00	36.19	-	26.23	0.72	-	5.61	32.56	2.07	-	34.63
3 Development Bank of Rizal	08/13/84	12/15/00	127.69	-	83.37	0.40	-	18.63	102.39	3.89	-	106.29
4 Intercity Savings and Loan Bank	05/20/85	10/26/01	36.47	-	21.89	1.35	-	7.55	30.78	3.40	0.70	34.87
5 Solid Homes Savings and Loan Bank	11/26/84	12/06/01	27.75	0.51	21.10	0.08	-	0.96	22.65	2.74	0.84	26.23
6 Pioneer Savings and Loan Bank	08/14/84	03/04/02	31.22	-	21.15	0.64	-	3.84	25.63	4.63	0.17	30.43
7 PAIC Savings and Mortgage Bank	08/19/85	09/16/02	269.89	-	72.75	2.00	167.25	4.58	246.58	12.09	5.49	264.16
8 Perpetual Savings Bank	06/11/84	11/20/02	99.61	-	84.79	0.63	-	1.27	86.69	6.03	-	92.73
9 Permanent Savings and Loan Bank	12/17/84	04/24/03	171.10	-	50.70	2.67	103.07	1.01	157.46	8.33	4.02	169.81
10 Reliable Savings and Loan Association	01/15/88	07/03/03	6.35	-	3.69	-	-	0.15	3.85	2.22	0.01	6.07
11 Mariveles Savings and Loan Bank	01/26/95	09/03/03	7.70	-	6.38	-	-	-	6.38	1.19	-	7.57
12 Mindanao Savings and Loan Association	09/02/90	11/05/03	3.95	-	-	-	-	-	-	-	-	-
13 Fidelity Savings and Mortgage Bank	02/18/69	various	15.15	0.02	1.58	4.92	-	2.50	9.02	1.21	0.46	10.69
14 Banco Primero Development Bank	07/16/84	various	122.62	-	24.11	0.30	22.05	13.41	59.86	7.34	54.68	121.87
15 Island Savings Bank	06/14/68	various	19.86	2.22	-	-	-	4.05	6.26	0.12	0.43	6.81
16 PISO Development Bank	02/03/87	various	2,690.76	2,012.49	118.79	351.90	132.78	32.21	2,648.16	40.53	-	2,688.70
Subtotal			3,666.30	2,015.24	536.53	365.60	425.14	95.77	3,438.29	95.78	66.79	3,600.86
Rural Bank												
17 Rural Bank of Natividad (Pangasinan)	11/17/72	08/14/95	0.31	-	-	-	-	-	-	0.04	-	0.04
18 Rural Bank of Villasis (Pangasinan)	02/07/74	08/18/95	0.65	-	-	-	-	-	-	0.60	-	0.60
19 Rural Bank of Tayug (Pangasinan)	07/08/69	10/24/95	0.72	-	-	-	-	-	-	0.45	-	0.45
20 Rural Bank of San Pedro (Laguna)	02/13/85	04/10/97	10.55	-	9.68	-	-	-	9.68	0.70	0.12	10.50
21 Rural Bank of Calumpit (Bulacan)	02/13/85	10/08/02	4.78	-	3.61	-	-	0.21	3.82	0.27	0.04	4.13
22 Rural Bank of Southern Cagayan /1 (Tuguegarao)	03/24/86	12/10/02	3.47	-	-	-	-	-	-	-	-	-
23 Rural Bank of Lucena (Quezon)	06/13/61	01/16/03	5.39	4.42	-	-	-	-	4.42	0.90	-	5.32
24 Rural Bank of Aguilan (Pangasinan)	04/28/86	01/27/03	2.40	-	0.26	0.53	-	0.68	1.47	0.93	-	2.40
25 Community Rural Bank of Leon (Iloilo)	05/07/80	03/25/03	4.47	-	0.12	3.17	0.06	0.08	3.43	1.00	0.01	4.44
26 Rural Bank of Taytay (Rizal)	04/12/85	05/22/03	16.46	-	13.21	-	-	0.57	13.78	1.53	0.27	15.59
27 Rural Bank of Olongapo (Zambales)	07/02/84	05/26/03	72.61	-	66.14	-	-	0.83	66.96	3.37	-	70.33
28 Rural Bank of Lazi (Siquijor)	01/10/89	06/19/03	6.17	-	2.56	1.39	0.48	0.19	4.62	1.31	0.11	6.05
29 Community Rural Bank of Balamban (Cebu)	09/16/86	06/20/03	0.79	-	-	-	-	-	-	0.27	-	0.27
30 Community Rural Bank of Dalaguete (Cebu)	09/10/86	06/30/03	12.71	-	3.30	-	0.56	1.95	5.81	1.72	-	7.53
31 Rural Bank of Sto. Tomas (Pampanga)	02/12/81	07/10/03	18.43	-	0.81	13.05	-	2.47	16.34	1.98	-	18.32
32 Community Rural Bank of Dumanjug (Cebu)	08/24/83	07/21/03	3.36	-	0.61	0.82	0.23	0.48	2.13	1.19	-	3.32
33 Rural Bank of Don Carlos (Bukidnon)	06/03/81	07/31/03	4.06	-	-	-	-	-	-	-	-	-
34 Rural Bank of San Leonardo (Nueva Ecija)	01/09/89	08/27/03	21.85	-	2.00	-	-	5.17	7.17	1.72	0.04	8.93
35 Rural Bank of Catanduan (Quezon)	03/18/82	10/02/03	2.61	-	0.49	-	-	-	0.49	0.38	-	0.86
36 Rural Bank of Talisay (Camarines Norte)	12/06/90	10/10/03	4.31	-	1.04	-	-	0.13	1.18	0.76	-	1.94
37 Rural Bank of Marilao (Bulacan)	09/03/86	10/10/03	13.29	-	2.48	-	-	0.20	2.68	0.86	-	3.54
38 Rural Bank of Minalin (Pampanga)	01/23/81	11/28/03	1.70	-	-	-	-	-	-	-	-	-
39 Rural Bank of Balatan (Camarines Sur)	04/12/80	12/03/03	3.17	-	-	-	-	-	-	-	-	-
40 Rural Bank of Bacacay (Albay)	02/27/90	12/15/03	8.36	-	-	-	-	-	-	-	-	-
41 Rural Bank of Atok (Benguet)	12/2/85	12/29/03	2.67	-	-	-	-	-	-	-	-	-
42 Rural Bank of Obando (Bulacan)	03/02/73	various	4.58	-	2.64	1.10	-	-	3.73	0.67	-	4.41
Subtotal			229.86	4.42	108.95	20.06	1.33	12.96	147.72	20.65	0.60	168.97
TOTAL			7,734.81	2,617.01	646.45	475.12	3,384.60	216.10	7,339.27	186.06	67.39	7,592.72

1/ Court-approved POD was not implemented due to pending issue on unremitted collections on rediscounted loans with BSP.

2/ Comprised of the Bureau of the Treasury, Bureau of Internal Revenue and Asset Privatization Trust.

3/ Includes Land Bank of the Philippines, Development Bank of the Philippines, Philippine Crop Insurance Corporation, Quedancor, depositors, and labor claims



SUPPORT SERVICES AND INFRASTRUCTURE

Organizational Restructuring and Functional Streamlining

The year 2003 saw the realization of vital management initiatives aimed at bringing about a more responsive and dynamic organization – one that is better empowered to carry out the mandate of the Corporation, and more responsive to the needs of a dynamic banking industry and a growing depositing public.

The PDIC Board approved during the second semester of 2003 the implementation of the Organizational Restructuring and Functional Streamlining (ORFS), resulting in a streamlined institution more focused on strategic areas of operations toward enhanced delivery of services.

As a result, the organization was bifurcated into two major operational divisions. Thus, the Insurance Risk Assessment Group, Risk Management Groups, Human Resource Management Group, Training and Public Affairs Group, and Information Technology Group are now together under Division I, while the Insurance Claims Group, Receivership and Liquidation Groups, Asset Management Group, CRL Services Group, Finance Group and Administrative Services Group are placed under Division II. A third division, the Corporate Direction, Management and Control (CDMC) was formed comprising of the Internal Audit Group, Management Services Group, Office of the Board Secretary and Legal Affairs Group. This division is under the Office of the President and Chief Executive Officer.



The organizational restructuring and functional streamlining efforts of the PDIC paved the way for a more effective and efficient organization.

The ORFS adopted the Board-approved manpower complement of 850. This includes 65 new positions for the newly created and/or upgraded units.

The ORFS has paved the way for a strategic re-alignment of PDIC's core operations and support services functions resulting in a leaner organization and a more defined delineation of responsibilities. The reorganization has collapsed reporting authorities in the middle management level thus, expediting decision-making process, encouraging greater accountability for people down the line, and ensuring an effective leadership succession program.

The PDIC Forum

The year 2003 also saw the birth of an important source of relevant banking data and fresh perspectives on critical issues, trends and developments in the banking sector – the **PDIC Forum**.

A technical publication focused on deposit insurance and financial stability issues, the PDIC Forum came off the press in December 2003. It offers useful information and statistics on banking indicators, and detailed data on deposits.

The PDIC Forum is meant to serve as an effective medium of discussion to trigger meaningful policy debates on relevant banking issues such as deposit insurance, bank regulation and supervision, and financial services.

It is distributed to all PDIC member banks and other players in the financial community, as well as important external stakeholders such as legislators, government agencies, and counterpart international institutions.

The PDIC Forum complements the existing programs of the Corporation geared at improving depositor awareness toward greater public confidence in the banking system.





Depositor Protection and Awareness Week

In recognition of the vital role that the Corporation plays in maintaining depositor confidence in the banking system as well as the importance of depositor protection in the country's savings mobilization efforts, President Arroyo issued Proclamation No. 358 on April 4, 2003, declaring June 16-22 of every year as Depositor Protection and Awareness Week (DPAW).

The declaration of DPAW bolstered PDIC's depositor protection mandate and upheld the Corporation's bid to promote the interest of small depositors through public information and education campaign, depositor assistance program, and institutional reforms such as increase in the maximum deposit insurance coverage.



Training Programs

Anchored on the basic corporate principle that people is the most important resource, the Corporation has embarked on major re-training programs for officers and employees to further enhance job competencies, broaden skills, and hone supervisory and managerial capabilities.

PDIC has spent some P4.1 million for training and re-training programs last year to equip the personnel with skills and additional know-how to enhance job performance and service delivery, develop core competencies and prepare people to assume greater responsibilities.

Apart from technical trainings on risk management, accounting standards, and business processes that are designed to improve operations processes and service delivery, specialized trainings were designed and given to senior executives, officers and supervisors for effective leadership and succession program. The Executive and Management Committee members; and other officers were trained on performance coaching and counseling, empowerment through delegation, and mentoring, while the supervisors were given basic supervisory courses.

Trainings were also conducted to promote the PDIC corporate values through the Values Enhancement Program that will enable new employees to integrate these corporate principles into their own.

In 2003 alone, more than 500 officers and rank and file earned 19,834 training hours from 120 training courses, 40 of which were in-house programs while 80 were availed externally. In addition, seven availed of foreign training courses namely, the Regional Technical Assistance on Promoting Regional Cooperation in Insolvency Law Reform, International Insolvency Conference, 4th SEACEN/Federal Reserve System/World Bank Seminar for Senior Bank Supervisors, APEC Financial Regulators' Training on On-



Training, as a crucial support service, ensures the continuous honing of capabilities for improved performance.



Site Examination, and the 2nd Annual IADI Meet and Conference. On the other hand, two employees availed of scholarship grants for their master's degrees in Australia and Japan from the Australian Agency of International Development (AusAID) and the Japan International Cooperation Center, respectively.

Public Awareness

In 2003, the Depositors Assistance Bureau (DAB) continued to extend frontline assistance to depositors claiming insured deposits or seeking help on deposit insurance and general banking concerns. Through the years, DAB has closely collaborated with the Insurance Claims Group to shorten the response time to insurance claims coursed through DAB. In 2003, average response time recorded for new transactions was one hour and two minutes while check payment transactions averaged 14 minutes.

In the same year, the DAB followed the transfer of the Insurance Claims Group to the Ayala Extension Office with the opening of the DAB Claims Counter at the 6th Floor of SSS Building in Ayala Avenue, Makati City. The opening of the DAB Claims Counter at the Ayala Extension Office is expected to hasten further the processing of insurance claims of depositors as the Corporation's Insurance Claims Group is also housed in the same building.



Depositor Assistance Bureau

Through the years, the PDIC has developed a strong information, education and communication program using effective tri-media tools, specifically designed to promote public awareness and appreciation for the Corporation's two-pronged mandate of protecting deposits and helping promote public confidence in the stability of the banking system.

To further its depositor relations and public education campaign, the Corporation signed a memorandum of agreement with the Philippine Information Agency for the development of an audio-visual presentation material that will be used to educate the public on the role of the PDIC in the financial safety net.

Collective Negotiation Agreement

To foster industrial peace and sustain harmonious working relationship between management and the rank and file, a new and improved Collective Negotiation Agreement (CNA) was signed in 2003 with the PDIC Employees Organization (Phildiceo). The new agreement further enhanced benefits given to rank and file employees such as the grant of four months leave with pay for employees eligible for graduate and post-graduate studies as well as for review and actual taking of the Bar or Board licensure examinations.



*PDIC Extension Office
Ayala Avenue*

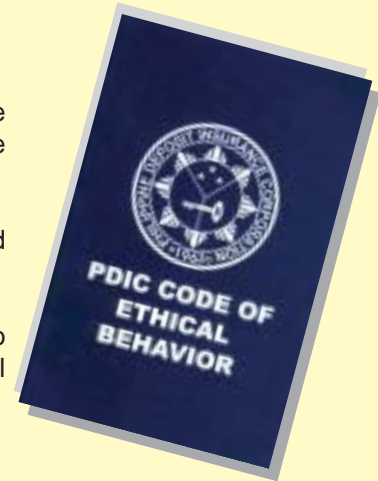
DAB received around 500 cases in 2003 that were processed either electronically or by telephone, fax, mail, or through personal visits.

Code of Ethics

Reinforcing the Corporation's call for greater accountability and good governance is the adoption of the PDIC Code of Ethical Behavior that laid down the corporate ethical standards for PDIC employees in the exercise of their functions and duties.

The Code is the embodiment of the time-honored principles of public service and professionalism that have characterized the operations of PDIC through the years.

It is demonstrative of the commitment of the men and women of PDIC to continuously gain public trust and to discharge their duties with highest professional integrity, never compromising public interest over personal gains.



Legal Affairs

Ably supported by the Legal Affairs Group, the PDIC has gained headway in 2003 in its efforts to amend the PDIC Charter. The amendments are intended mainly to expand insurance coverage and provide greater depositor protection. Additionally, it will also introduce stronger measures to protect the Deposit Insurance Fund.

In 2003, the Group made representations and closely collaborated with the Committees on Banks and Financial Intermediaries/Institutions of both the Senate and the House of Representatives in an effort to gain legislative approval of the measure during the 12th Congress. Significantly, the efforts paid off as the parallel bills hurdled floor deliberations in both chambers.

The Group has undergone major structural reforms to respond to the increasing legal requirements brought about by the greater number of banks placed under PDIC receivership and liquidation, as well as the consequent growth in asset acquisitions from financial assistance extended to banks. The structural reforms were hinged on enhancing competencies for more effective handling of cases that will translate to more responsive service delivery and cost savings to the Corporation.

In 2003, there were 68 favorable decisions out of the 120 cases handled by the group involving closed banks, resulting in recoveries amounting to P170.39 million. Three cases resulted in a compromise involving P3.45 million and the rest were either dismissed or on appeal.



The Legal Affairs Group has made significant strides in 2003 in advancing PDIC's legislative campaign for Charter amendments.

The group also brought to court former owners, directors and employees of closed banks. Of five cases filed, three are pending in court, while two cases await resolution from the Department of Justice.



INSTITUTIONAL RELATIONS

IADI MEMBERSHIP

The Philippines is a founding member of the International Association of Deposit Insurers (IADI), a non-profit organization established on May 6, 2002, to contribute to the stability of the financial systems by promoting international cooperation in the field of deposit insurance and encourage global interaction among deposit insurers and concerned organizations. Through the IADI membership, the PDIC aims to broaden its perspective as deposit insurer and enhance understanding of common issues and interests related to deposit insurance, through sharing of expertise and discussion of relevant industry issues.



Bank of Indonesia representatives Mr. Soemargo, Taufik Hidayat and Didik Madiyono pay courtesy call to PDIC President and CEO Ricardo M. Tan on October 17, 2003. This is part of Indonesia's effort to learn from Asian experiences on deposit insurance as it lays the groundwork for its own deposit insurance system.

IADI EXECUTIVE COUNCIL

PDIC President and CEO Ricardo M. Tan was elected to the 21-member IADI Executive Council during its 2nd Annual Conference held on October 23-24, 2003 in Seoul, South Korea. Former PDIC President and Chief Executive Officer Norberto C. Nazareno was also a member of the Executive Council. His resignation from PDIC rendered the Executive Council position vacant.

to share information and access the databases of other deposit insurers and financial regulators.

PDIC, together with other deposit insurance corporations in the Far East, such as in Japan, Korea and Taiwan are at the forefront of the affiliated regional chapter of IADI, the Asian Regional Council.

PDIC's membership to the council enhanced its ability



Members:

- Albanian Deposit Insurance Agency
- Autorité des marchés financiers (Québec)
- Bulgarian Deposit Insurance Fund
- Canada Deposit Insurance Corporation
- Central Deposit Insurance Corporation
- CJSC Kazakhstan Deposit Insurance Fund
- Deposit Insurance Agency (Russian Federation)
- Deposit Insurance Agency of Bosnia and Herzegovina
- Deposit Insurance Board of Tanzania
- Deposit Insurance Corporation (Trinidad and Tobago)
- Deposit Insurance Corporation of Japan
- Deposit Insurance Corporation, Central Bank of The Bahamas
- Deposit Insurance Fund Czech Republic
- Deposit Insurance of Vietnam
- Deposit Protection Board (Zimbabwe)
- Deposit Protection Fund Board (Kenya)
- Federal Deposit Insurance Corporation
- Fondo de Garantía de Depósitos y Protección Bancaria (Venezuela)
- Fondo de Garantías de Instituciones Financieras (Colombia)
- Fondo de Seguro de Depósitos (Perú)
- Fonds de Garantie des Dépôts (France)
- Fundo Garantidor de Créditos (Brazil)
- Instituto de Garantía de Depósitos (El Salvador)
- Instituto para la Protección al Ahorro Bancario (Mexico)
- Jamaica Deposit Insurance Corporation
- Jordan Deposit Insurance Corporation
- Korea Deposit Insurance Corporation
- National Deposit Insurance Fund of Hungary
- Nigeria Deposit Insurance Corporation
- Philippine Deposit Insurance Corporation
- Savings Deposit Insurance Fund of Turkey
- Seguro de Depósitos Sociedad Anónima (Argentina)
- Swedish Deposit Guarantee Board
- The Household Deposit Insurance Fund (Ukraine)

CORPORATE PRIORITIES FOR 2004



MEETING CHALLENGES HEAD ON IN 2004

The Corporation has placed the enhancement of client services and institutional strengthening at the forefront of its corporate priorities for 2004.

Given these objectives, focus has shifted to more efficient and effective delivery of services through the institution of procedural reforms and other innovations to improve business processes.

One of PDIC's corporate concerns for the year ahead is employee empowerment through delegation of authority, in line with the PDIC's thrust for an effective succession program. Providing the balance for delegation of authority is the establishment of appropriate controls and accountability as defined in the recent implementation of the Corporation's Organizational Realignment and Functional Streamlining (ORFS), with management focused on strategic concerns, while people down the line concentrated on operations and day-to-day decision-making.

Another thrust is strengthening and ensuring effectiveness of controls through the internal audit system that should address the following key areas of concern: reliability and integrity of information, effectiveness of risk management, safeguarding of assets, compliance with laws and regulations, attainment of targets and rendering of quality public service.

Client servicing is a corporate primordial function hence, PDIC has zeroed in on the challenge of radically whittling down the average turn-around-time from bank takeover to start of claims settlement operations for a significantly prompter payment of deposit claims. Along this line, PDIC intends to employ outsourcing for certain receivership and liquidation (R/L) functions, as well as legal cases involving R/L, except petitions for assistance in liquidation. Corporate cases involving assets acquired arising from grant of financial assistance shall also be outsourced, although prior approval from the Commission on Audit (COA) and the Office of the Government Corporate Counsel (OGCC), shall have to be obtained.



Corporate planning and research spearhead the formulation of corporate strategies to make PDIC a more responsive and dynamic institution.

Policies and procedures, and personnel capability build-up in the takeover/receivership of big and problematic banks shall be addressed through development of a contingency plan with a built-in training program. Systems and procedures, fine-tuned to ensure accuracy, that will determine effectiveness of performance monitoring of banks under financial assistance are now in place.

New strategies and approaches, some of them improvements to previous methods, will continue to define corporate operations for 2004 as PDIC lays the ground for a more focused, client-responsive and goal-oriented organization.



40 YEARS OF DEPOSITOR PROTECTION

1963

- ◆ PDIC was created through RA 3591 (June 22, 1963), which provided, among others:
 - deposit insurance cover for Philippine banks;
 - maximum deposit insurance cover (MDIC) of P10,000 per depositor
 - maximum assessment rate of 1/12 of 1 percent of net assessable deposits per annum.
 - financial assistance to distressed banks when in the opinion of the Board, the continued operation of the bank is essential to provide adequate banking service in the community or maintain financial stability;
 - Permanent Insurance Fund (PIF) at P5 million;
 - voluntary insurance membership with PDIC
 - formation of 3-member Board of Directors



1972

- ◆ RA 6426 was passed instituting the foreign currency deposit system and providing insurance coverage of said deposits, payment of which may be made in the same currency in which insured deposits are denominated.

1973

- ◆ Presidential Decree 120 was issued providing, among others:
 - increased PIF to P20 million from 5 million;
 - availability of funds for financial assistance to be limited only to PIF, additional appropriations, and money borrowed from Central Bank (CB);
 - funds from assessments paid by insured banks shall not be used for financial assistance purposes or repayment of loans from CB incurred for funding of assistance..

1977

- ◆ Assessment rate was increased to a maximum of 1/15 from 1/18 of 1 percent of net assessable deposits starting the semester ending June.

1964

- ◆ P5 Million was appropriated from the General Fund to bankroll the Permanent Insurance Fund (PIF) (RA 4083)

1978

- ◆ MDIC was increased to P15,000 per depositor from P10,000.00 (PD 1451).

1969

- ◆ The Board approved the By-Laws of the Corporation setting up the organization and defining the powers and responsibilities of each department. Also approved were the Implementing Rules and Regulations of RA 3591.
- ◆ Membership with PDIC was made compulsory for all banks (RA 6037).



1981

- ◆ PDIC Chairman was appointed Liquidator of six rural banks closed by the Monetary Board pursuant to Monetary Board Resolution No. 459.

1983

- ◆ PDIC Board reconstituted with the CB Governor designated as Chairman, and then PDIC Chairman and the Deputy Minister of Finance as members (Executive Order 890).

1970

- ◆ PDIC started collecting assessment rate at maximum 1/18 of 1 percent of net assessable deposits per annum.
- ◆ First payout was conducted in the Rural Bank of Nabua as authorized by the PDIC Board on July 6, 1970. Initially, one claim agent was assigned to handle the payout, although a transfer deposit scheme with the Rural Bank of Rinconada was later arranged to facilitate claims payment.
- ◆ The PDIC Employees Association was recognized by the Board and the first Collective Bargaining Agreement was approved to take effect for a period of 3 years.



1984

- ◆ MDIC was increased to P40,000 per depositor (PD 1897).
- ◆ Under PD 1940, the following reforms were undertaken:
 - PDIC made a preferred creditor over unsecured creditors;
 - Trust accounts excluded from insurance coverage;
 - minimum assessment premium paid by banks set at P250;
 - PDIC Provident Fund was established.



1985

- ♦ PIF was increased to P2 billion from P20 million (PD 1985)
- ♦ Assessment rate was adjusted to 1/12 from 1/15 of 1 percent of net assessable deposits.

1987

- ♦ The Monetary Board approved in November the return to the Central Bank of the responsibility to liquidate six rural banks assigned to PDIC in 1981.

1988

- ♦ The World Bank report on strengthening the financial sector was completed and recommended a greater role for PDIC in the supervision/examination of banks and in handling distressed banks. The WB recommended PDIC to be appointed mandatory receiver and liquidator of closed banks, and its financial and manpower resources reinforced. As a result, PDIC drafted the Institutional Strengthening Program laying the groundwork for an institutional/organizational restructuring to cope with expanded functions; setting of upgraded standards, hiring procedures and intensive training programs; and innovations in systems and procedures with emphasis on computerization and automation.

1989

- ♦ Liquidity pools were set up to contribute to the stability in the rural banking system by immediately addressing temporary liquidity requirements of rural banks. Under this scheme, rural banks contributed a portion of their liquid assets which Land Bank of the Philippines (LBP) matched. The funds were invested in high-yielding, risk-free government securities, which can be availed of by member rural banks in the event of liquidity crisis. Further, PDIC maintained a credit line in case more funds are needed.

After four years, there were already 27 liquidity pools created composed of 429 rural banks.

1990

- ♦ PDIC joined a World Bank Mission, with then CB and LBP, that created the Countryside Financial Institutions Enhancement Program (CFIEP) aimed at transforming rural banks into formidable agents of countryside development. The program helped rural banks to reduce burden of debt to CB, raise capital, attain economies of scale and become more competitive in banking system. Module 1 of the CFIEP provided for infusion of fresh equity from existing stockholders and new investors. Module 2 focused on incentives in enhancing capital, while Module 3 provided incentives for merging and consolidation.

= Jesus C. Razon = (1965 -1966)

Credited for the initial organization of PDIC



Luis Tirso Rivilla (1968-1983)

Effected better labor management relations through recognition of PDIC Employees Association and approval of the first Collective Bargaining Agreement and laid down the foundations for PDIC operations



= Eugenio Nierras Jr. = (1983-1988)

Made personnel welfare the hallmark of his tenure with the establishment of the PDIC Provident Fund





1992

- ♦ Republic Act 7400 was enacted on April 13 amending RA 3591, and providing among others:
 - increased MDIC to P100,000 from P40,000;
 - adjusted assessment rate to a maximum 1/5 of 1 percent of total deposit liabilities;
 - increased PIF to P3 billion from P2 billion;
 - authority to conduct independent examination of banks;
 - assumption of liabilities as an additional mode of financial assistance;
 - mandated as receiver and liquidator of banks ordered closed by the Monetary Board; and
 - amendment to the composition of the Board, designating the Finance Secretary as Chairman, PDIC President as Vice-Chairman, Bangko Sentral ng Pilipinas (BSP) Governor as member, and two representatives from the private sector.
- ♦ PDIC's present head office building at 2228 Pasong Tamo, Makati City was inaugurated.



1997

- ♦ For the first time, PDIC conducted examination of deposit records in two operating banks in response to mounting complaints of depositors on non-servicing of their withdrawals. Examination of individual deposit records was made possible through waivers of depositor rights under the Law on Secrecy of Bank Deposits (RA 1405).

1998

- ♦ Two foreign-funded grants to PDIC were implemented namely, the Technical Assistance Grant from Asian Development Bank (ADB) amounting to US \$742,000 and the World Bank (WB) project worth \$353,765. For the ADB grant, foreign and local consultants in the field of insurance risk, legal and human resource management; and information technology assisted PDIC in enhancing its supervision and deposit insurance systems drawing on international best practices for a more effective delivery of services. This also updated PDIC's Information Systems Strategic Plan. On the other hand, the WB grant focused on improving claims, receivership and liquidation processes, procedures and systems and the revision/formulation of CRL operating manuals. Under both grants, PDIC personnel were sent to international seminars, study visits and specialized foreign training programs to study international best practices in deposit insurance.

1993



- ♦ For the first time, PDIC terminated insured status of 25 delinquent banks.
- ♦ Depositor Protection Bureau, a quick response action desk for servicing depositor queries and complaints, was inaugurated.

1995

- ♦ Takeover and presettlement examination activities were merged resulting in a shortened turn around time from bank takeover to start of claims settlement operations.

1996

- ♦ Innovations were adopted to facilitate claims payment to include:
 - approval of a scheme allowing immediate payment of claims with balances not exceeding P500 after these are validated, instead of passing through the usual rigorous deposit examination;
 - direct cash payment of deposit accounts with balances not exceeding P1,000;
 - simplification of documentary requirements to support claims for accounts of deceased depositors with deposit balances not exceeding P5,000; and
 - establishment of emergency pay-out facility to enable PDIC to respond to humanitarian needs i.e., the President may allow payment of the actual amount of claims or P5,000, whichever is lower, even before the official start of CSO in a closed bank. Amount was subsequently increased to P100,000.

2000

- ♦ The General Banking Law of 2000 (RA 8791) was enacted in May repealing PDIC's power to conduct independent examination of banks. Examination authority was limited to banks granted or are availing of financial assistance and banks applying for reinstatement of insured status.
- ♦ Remitted P2.6 billion to National Government representing liquidation proceeds from PISO Bank and Pacific Banking Corporation.
- ♦ Remitted P 1 billion in dividends to the Bureau of the Treasury.





2001

- ♦ Turned over a total of P2.75 billion in dividends to the National Government and P2.76 billion in liquidating and surplus dividends of the closed PISO Development Bank and Pacific Banking Corporation.



Vitaliano N. Nañagas 1988-1994

Raised the quality of public service through the Institutional Strengthening Program (ISP) that defined PDIC's role in the financial sector as prescribed by the World Bank and transformed PDIC into a dynamic organization through among others, the streamlining of offsite monitoring and onsite examinations.



2002

- ♦ PDIC became a founding member of the International Association of Deposit Insurers (IADI). President Nazareno was elected to IADI's Executive Council.



Ernest Leung 1994-2000

Judicious management of corporate resources and financial independence through prudent investment.



2003

- ♦ Bills amending the PDIC Charter were filed in both House of Representatives (HB 6003, in substitution of HB Nos. 255, 1365 and 3851) and Senate (SB Nos. 277, 282, 2009, 46, 109, 1187, and 2007) proposing an increase in the MDIC, among others.
- ♦ President Tan was elected to IADI's Executive Council.



Norberto C. Nazareno 2000-2002

Strengthened management accessibility to the workforce; enhanced PDIC's social responsibility program and integrated personal, professional and corporate values.





2003 CORPORATE HIGHLIGHTS

Nazareno to Tan: Changing of the Guards

Former PDIC Executive Vice President Ricardo M. Tan, once the highest-ranking Filipino official at the Asian Development Bank, where he served for more than 20 years, is sworn in as PDIC President and CEO by former Finance Secretary Jose Isidro N. Camacho. Looking on are former PCEO Mr. Norberto C. Nazareno and Mr. Tan's wife, Mrs. Ana Belen B. Tan.

PCEO Ricardo M. Tan gets a warm welcome from Mr. Nazareno, PDIC Director Carmen de Venecia-Lim and Senior Executive Vice President Rosalinda U. Casiguran.



Re-takeover of RB Tuy & RB Balayan



Legal Affairs Senior Vice President Jesus Fidelino Clariza responds to questions from the media during the peaceful re-take over of Rural Banks of Tuy and Balayan. The Supreme Court denied with finality the petition of the banks' former owners questioning the legality of the closure order issued by the Monetary Bank.

PDIC Remits P1 billion to NG

PDIC PCEO Ricardo M. Tan is assisted by PDIC Director Lim and SEVP Rosalinda Casiguran in turning over to Executive Secretary Alberto G.

Romulo and Finance Secretary Jose Isidro N. Camacho a facsimile check for P1 billion, representing full remittance of the P2 billion dividends in 2002. PDIC Director and BSP Governor Rafael Buenaventura also witnessed the turnover.



Signing of Proclamation 358 - Depositor Protection and Awareness Week

NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby declare June 16-22 of every year as "DEPOSITOR PROTECTION AND AWARENESS WEEK".

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Republic of the Philippines to be affixed.

Done in the City of Manila, this 4th day of April, in the year of Our Lord, two thousand and three.

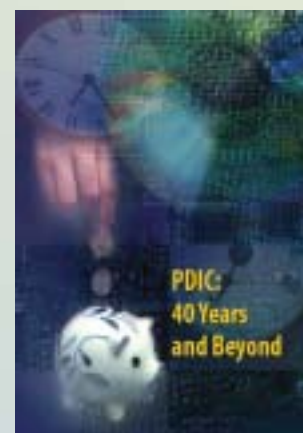
Gloria Macapagal-Arroyo



President Gloria Macapagal-Arroyo signed milestone Proclamation No. 358, declaring June 16-22 of every year as *Depositor Protection and Awareness Week* to institutionalize the importance of depositor protection and PDIC's role in savings mobilization.

PDIC: 40 Years and Beyond

PDIC launched the compact disc version of its first ever book, *PDIC: 40 years and Beyond in June 2003*. The book chronicles people and events in the 40-year corporate history of the Corporation, written from a 2003 perspective. It also traces the Corporation's humble beginnings, its progression and eventual emergence as a significant player in the financial safety net.





Recognition of Past PDIC Presidents



During its 40th year celebration, PDIC gathered the illustrious men of PDIC, the past PDIC presidents, who have made significant contributions to the Corporation and whose commitment and dedication laid the foundation for an efficient deposit insurance system in the country today.

The honorees: (starting from left) Mr. Luis Tirso Rivilla (1968-1983) represented by daughter Ms. Nettie Rivilla-Agabao; Mr. Vitaliano N. Nañagas II (1988-1994); Mr. Basilio Estanislao (1968-1973); +Mr. Eugenio Nierras, Jr.+ (1983-1988) represented by his widow Ms. Norma Nierras; Mr. Ernest Leung (1994-2000); and +Mr. Jesus C. Razon+, (1965-1966) represented by son Mr. Jesus Razon, Jr. Another honoree, Mr. Norberto C. Nazareno (2000-2002) was unable to attend due to a medical operation.

Loyalty Awardees



Employees who have rendered long years of service and dedication to PDIC were also feted in 2003. Among them are John Enriquez (extreme left), Josefina Coligado (third from left), the late Rosario Gepte, Ma. Elena Bienvenida, Victoria Martinez, Flordeliz Porsovigan, Zenaida Bautista, Elenita Vidal (partly hidden), Edita Villar, and Aurora Baldoz. The awardees are flanked by former PDIC Head Basilio Estanislao, Mrs. Nettie Rivilla and husband Congressman Giorgini Agabao and Monetary Board Member Fe Barin.

Model Officer & Employee



Salud Margajay, Division Chief II of the Accounting Department, earned the distinction of being the first PDIC Model Officer of the year 2003 for her meritorious and excellent service. Jose Miano, Property Appraiser IV of the Data Department, on the other hand, was cited as first Model Employee of the year also for his excellent service, innovation, and dedication to duty.

Adoption of Code of Ethics



The PDIC Code of Ethics was approved by the PDIC Board on May 30, 2003 in line with the call for more stringent standards of behavior among public servants to underscore the primacy of public interest over personal gains, anchored on the time-honored principle that public service is a public trust.

PDIC Forum

A brainchild of PCEO Ricardo M. Tan, the PDIC Forum was conceptualized in July 2003. The publication's maiden issue came off the press in December 2003, with copies distributed to the banking community, academe, and other stakeholders. The PDIC Forum was designed to fill the need for a policy research-based publication on deposit insurance and the financial system to serve both as useful reference and a repository of relevant information.





BOARD OF DIRECTORS

Juanita D. Amatong, Finance Secretary Chairman

Juanita D. Amatong, ex-officio chair of the PDIC Board, is the first lady Secretary of the Department of Finance (DOF). She assumed this position on December 1, 2003 upon her appointment as Finance chief. She started her career at the DOF in 1971 as Senior Financial Analyst then rose to become Assistant Secretary in 1986. Thereafter, Ms. Amatong worked in 1995 with the World Bank as an Advisor to the Executive Director and as Alternate Executive Director for the Multilateral Investment Guarantee Administration, the first woman Executive Director elected by the eight-country constituency. She became Resident Consultant to the Government of Myanmar under the sponsorship of the United Nations Development Programme.

Ms. Amatong earned her Bachelor's degree in Business Administration from Silliman University, cum laude and her Master's degree in Economics and Public Administration at the Syracuse University in New York. She also holds a Certificate in Public Enterprise Management in Developing Countries at the Harvard Institute of International Development, and another Certificate in Financial and Fiscal Policies and Programming at the International Monetary Fund.

**Sec. Amatong assumed as chairman on December 1, 2003*

Ricardo M. Tan, PDIC President & CEO Vice-Chairman

Ricardo M. Tan assumed vice chairmanship of the PDIC Board with his appointment as President and Chief Executive Officer of PDIC on February 27, 2003 that briefly ended his retirement from PDIC in 2001. Prior to his appointment, he was PDIC consultant for the Export and Industry Bank. He was Executive Vice President of PDIC from 1997 up to his retirement in August 2001. Prior to his stint in PDIC, he worked for 24 years with the Asian Development Bank where he was the highest-ranked Filipino official at the time, with the position of Deputy Director, Programs Department (Region West). In the banking sector, he served as Vice President of Rizal Commercial Banking Corporation for four years. Early in his career, Mr. Tan spent three years at the Office of the President as Presidential Staff Assistant in charge of economic affairs, and one year as Senior Economist at the Department of Economic Research of then Central Bank of the Philippines.

Mr. Tan holds a BS Economics degree from the University of San Francisco (California) while he earned his Master's in Economics (Money and Banking/Central Banking in Developing Countries) from the London School of Economics and Political Science.

Carmen D.V. Lim, Private Sector Representative Director

Carmen de Venecia-Lim, a Certified Public Accountant, established her career in banking with the then Central Bank of the Philippines where she spent 16 years working and last held the post of supervising bank examiner. She also served as Director to the boards of Philippine Commercial International Bank from 1997-98 and PNB Securities, Inc. from 1995-98. Ms. Lim was also President of Carven Realty, Inc. and Director of Philippine Chamber of Real Estate Professionals.

Ms. Lim graduated from the University of Sto. Tomas with a degree in Bachelor of Science in Commerce.

Jose Isidro N. Camacho, Former Finance Secretary Former Chairman

Jose Isidro N. Camacho was the ex-officio chairman of the PDIC Board until his resignation as Secretary of the Department of Finance on November 30, 2003. Prior to his appointment to DOF, he was the Secretary of the Department of Energy. Mr. Camacho was an international investment banker handling corporate finance, stock brokerage, local money market and foreign exchange trading, business development and client management before he was invited to join the government in 2001. He was the Managing Director and Chief Country Officer for the Philippines of Deutsche Bank A.G. from 2000 to 2001. He was Managing Director (Partner Status) of Banker Trust Company and has worked in its New York, Manila and its various Southeast Asian offices.

A Bachelor of Science in mathematics graduate from De La Salle University, cum laude, Mr. Camacho also holds a Master's degree in Business Administration with concentration on Finance from the Harvard Business School in Boston.

**Sec. Camacho resigned on November 29, 2003*

Rafael B. Buenaventura, BSP Governor Director (2nd from left)

Rafael B. Buenaventura assumed the position of Governor of the Bangko Sentral ng Pilipinas (BSP) on July 6, 1999, following a long and distinguished career of over 30 years in private commercial banking. Prior to his appointment at BSP, Mr. Buenaventura was President and Chief Executive Officer of Philippine Commercial International Bank (PCIB) for 10 years. Previous to PCIB, he was with Citibank for 24 years, and served as CEO of Citibank Philippines (1982-1985), Citibank Malaysia (1976-1979), and Citibank Indonesia (1974-1976). From 1985-1989, he was Senior Vice President and Division Executive of Citibank for Southern Europe which covers Italy, Spain, Portugal, Greece and Turkey. He earned the distinction of "One of Asia's Most Outstanding Bankers" in an award presented by Asia Money in 1991.

Mr. Buenaventura graduated from De La Salle University with a degree of B.S. in Commerce while he earned his Master's degree in Business Administration at the Stern Graduate School of Business, New York University. He also attended the University of Hawaii/Harvard University's Advanced Management Program.

Norberto C. Nazareno, Private Sector Representative Director

Norberto C. Nazareno was appointed member of the PDIC Board immediately following his resignation as President and CEO of PDIC on November 22, 2002. He served for more than two and a half years as President and CEO of PDIC. Prior to his stay in PDIC, he was president of a management and consultancy firm, Lisieux Inc. From 1994-1999, he served as President and CEO of Philippine Banking Corporation (PhilBank) and held directorship positions in various companies of PhilBank. Prior to this, he was president of Citicorp Securities for four years. He also spent 19 years with Citibank N.A. serving in various capacities. He also served as Governor and Treasurer of the Philippine Stock Exchange and Governor of the Makati Stock Exchange.

Mr. Nazareno obtained his B.A. in Economics degree and Master's degree in Business Management from the Ateneo de Manila University.

**Mr. Nazareno resigned as Director of PDIC on May 25, 2004*

BOARD OF DIRECTORS



(From left to right): Director Carmen De Venecia Lim; Bangko Sentral ng Pilipinas Governor Rafael B. Buenaventura; former Chairman and Finance Secretary Jose Isidro N. Camacho; Chairman and Finance Secretary Juanita D. Amatong; Vice-Chairman and President and Chief Executive Officer Ricardo M. Tan; and Former Director Norberto C. Nazareno.



THE PDIC MANAGEMENT

(as of July 2004)

Executive Committee Members

Seated: Ricardo M. Tan, PDIC President and CEO; Atty. Rosalinda U. Casiguran, Senior Executive Vice President
Standing (from left to right): Armando L. Quilala, Vice President, Internal Audit Group; Noemi R. Javier, Senior Vice President, Management Services Group; Atty. Jesus Fidelino D. Clariza, Senior Vice President, Legal Affairs and Chief Legal Counsel; and Imelda S. Singzon, Executive Vice President



Management Committee Division I

Seated (from left to right): Vicente T. de Villa III, Assistant Vice President, Insurance and Risk Assessment Group; Atty. Rosalinda U. Casiguran, Senior Executive Vice President; and Nestor Z. Flores, Vice President, Human Resource Management Group;
Standing (from left to right): Sandra A. Diaz, Vice President, Risk Management Group III; Josefina J. Velilla, Vice President, Risk Management Group I; Ma. Ana Carmela Villegas, Vice President, Risk Management Group II; Rescina S. Bhagwani, Vice President, Training and Public Affairs Group; and Marissa B. Paras, Vice President, Information Technology Group

Management Committee Division II

From left to right:
Aurora C. Baldoz, Vice President, Receivership and Liquidation Group I;
Catherine F. Bamba, Vice President, Administrative Services Group; Imelda S. Singzon, Executive Vice President; Atty. Edita D. Villar, Vice President, CRL

Services Group; Atty. Pablo Y. Romero Jr., Vice President, Receivership and Liquidation Group II; Elenita B. Vidal, Vice President, Insurance Claims Group; and Ma. Elena E. Bienvenida, Vice President, Finance Group (Not in photo: Florencio B. Pagsaligan, Vice President, Asset Management Group)



Legal Affairs Group

From left to right: Atty. Ma. Antonette Bolivar, Assistant Vice President, Litigation and Corporate Services Group; Atty. Jesus Fidelino Clariza, Senior Vice President, Legal Affairs Group and Chief Legal Counsel; and Atty. Cristine C. Remollo, Vice President, Litigation and Operations Group

LIST OF OFFICERS

As of December 31, 2003



Corporate Direction, Management and Control

OFFICE OF THE PRESIDENT AND CHIEF EXECUTIVE OFFICER

RICARDO M. TAN
President and Chief Executive Officer

ESTER B. BINALLA
Corporate Executive Officer IV

OFFICE OF THE CORPORATE BOARD SECRETARY

MARY ROSALIND A. ALARCA
Assistant Department Manager II/OIC

VICTORIA P. MARTINEZ
Corporate Executive Officer III

LEO L. AGUINALDO
Corporate Executive Officer I

OFFICE OF THE VICE PRESIDENT - INTERNAL AUDIT GROUP

ARMANDO L. QUILALA
Vice President

Internal Audit Department I

ZENAIDA A. VILLAROMAN
Department Manager III

QURALENE P. PATALINGHUG
Assistant Department Manager II

GLORIA S. MEDINA
Corporate Executive Officer II

Internal Audit Department II

CARLITO B. BANAAG
Assistant Department Manager II/OIC

FILOMENA E. JONGCO
Assistant Department Manager II

MARILOU G. MIRANDA
Corporate Executive Officer II

IT Audit Section

NANCY M. MENDOZA
Corporate Executive Officer III

OFFICE OF THE SENIOR VICE PRESIDENT - MANAGEMENT SERVICES GROUP

NOEMI R. JAVIER
Senior Vice President

Planning Department

SANDRA B. CATRAL
Department Manager III

MA. CARMEN ROSARIO Z. RECITAS
Corporate Executive Officer III

JOSEFINA MAY G. TATU
Corporate Executive Officer I

Research Department

JOSE G. VILLARET, JR.
Assistant Department Manager II/OIC

ANTONIO L. PANALIGAN
Corporate Executive Officer I

Policy and Systems Department

CAROLINE LORETO E. VASQUEZ
Department Manager III

Legal Affairs

OFFICE OF THE SENIOR VICE PRESIDENT AND CHIEF LEGAL COUNSEL

JESUS FIDELINO D. CLARIZA
Senior Vice President

OFFICE OF THE VICE PRESIDENT - LITIGATION AND CORPORATE SERVICES GROUP

GILROY V. BILLONES
Attorney IV

Litigation and Corporate Services Department I

JOSETTE SONIA H. MARCILLA
Department Manager III

JOSEFINA J. SAMBOLAWAN
Attorney IV

REUBEN RITZUKO T. VERADIO
Attorney IV

Litigation and Corporate Services Department II

MARIE HAZEL V. CIRIACO
Assistant Department Manager II/OIC

JOSE MARI C. GANA
Attorney IV

Litigation and Corporate Services Department III

LUISITO Z. MENDOZA
Assistant Department Manager II/OIC

PAULO V. SARET
Attorney IV

Litigation and Corporate Services Department IV

RODOLFO B. SAMSON
Corporate Executive Officer III

AZUCENA B. GARCIA
Corporate Executive Officer II

CLARENCE E. DATO
Attorney IV

Litigation and Corporate Services Support Section

RICARDO D. ANTONIO
Corporate Executive Officer I

OFFICE OF THE VICE PRESIDENT - LITIGATION AND OPERATIONS GROUP

CRISTINE C. REMOLLO
Vice President

Litigation and Operations Department I

FERNANDO S. ABADILLA
Department Manager III

MARIVIC C. ARRIOLA
Attorney IV

Litigation and Operations Department II

MA. ANTONETTE B. BOLIVAR
Assistant Vice President

ELAINE B. DETICIO
Attorney V

ROMEL M. BARRERA
Attorney IV

Litigation and Operations Department III

NANCY L. SEVILLA
Assistant Department Manager II/OIC

NILO ALDRIN M. LUCINARIO
Legal Officer V



Litigation and Operations Department IV

MA. LUISA R. MIRANDA
Attorney IV

Litigation and Operations Support Section

HERNANDO L. CATIGBE
Corporate Executive Officer I

Special Legal Services Department

SUSANA R. CAROLINO
Corporate Executive Officer I

Division I

**OFFICE OF THE EXECUTIVE VICE
PRESIDENT AND CHIEF OPERATING
OFFICER**

ROSALINDA U. CASIGURAN
Executive Vice President and Chief Operating
Officer

**OFFICE OF THE VICE PRESIDENT -
INSURANCE AND RISK ASSESSMENT
GROUP**

VICENTE T. DE VILLA III
Assistant Vice President

Bank Performance Monitoring Department

MERLIE M. CAÑAVERAL
Assistant Department Manager II/OIC

MA. LENITA I. FLORIZA
Corporate Executive Officer I

Insurance Department

ELISEO R. RAMALLOSA
Assistant Department Manager II/OIC

MA. LUCILA H. REYES
Assistant Department Manager II

AGNES E. REMOLONA
Corporate Executive Officer I

**OFFICE OF THE VICE PRESIDENT-
RISK MANAGEMENT GROUP I**

JOSEFINA J. VELILLA
Vice President

Risk Management Department I

ROSSANA V. CASTALLA
Assistant Department Manager II/OIC

Risk Management Department II

FELY D. REYES
Department Manager III

JUSTICE LADY S. FLORES
Corporate Executive Officer III

**OFFICE OF THE VICE PRESIDENT -
RISK MANAGEMENT GROUP II**

MA. ANA CARMELA L. VILLEGAS
Vice President

Risk Management Department III

MA. ESTER D. HANOPOL
Department Manager III

Risk Management Department IV

SHIRLEY G. FELIX
Department Manager III

MARLOWE F. MIKIN
Corporate Executive Officer II

**OFFICE OF THE VICE PRESIDENT -
RISK MANAGEMENT GROUP III**

SANDRA A. DIAZ
Vice President

Risk Management Department V

ANGEL B. OBRERO
Department Manager III

POLO L. PANTALEON
Assistant Department Manager II

Risk Management Department VI

ALTEO C. MALABUYOC
Assistant Department Manager II/OIC

ANNE BELINDA N. HIÑOLA
Corporate Executive Officer II

**OFFICE OF THE VICE PRESIDENT -
HUMAN RESOURCE MANAGEMENT
GROUP**

NESTOR Z. FLORES
Vice President

Personnel Department

NINA NOREEN A. JACINTO
Department Manager III

ARACELI H. TABAC
Corporate Executive Officer I

VIRGILIO C. ESTANISLAO
Corporate Executive Officer I

ARLENE T. PANGILINAN
Corporate Executive Officer I

Organization Development Department

IRMINA D. SICIO
Department Manager III

ROSARIO F. ADVIENTO
Corporate Executive Officer III

ASUNCION S. CALAPAN
Corporate Executive Officer III

Provident Fund Department

ANITA R. GONGON
Corporate Executive Officer III/OIC

MA. TERESA C. VESTAL
Corporate Executive Officer I

**OFFICE OF THE VICE PRESIDENT -
TRAINING AND PUBLIC AFFAIRS GROUP**

RESCINA S. BHAGWANI
Vice President

Training Department

MA. ANGELETTE I. FLESTADO
Department Manager III

ELIZABETH R. PADOLINA
Corporate Executive Officer III

EUGENE V. BORLONGAN
Corporate Executive Officer I

Public Affairs Department

AURAMAR D. CALBARIO
Department Manager III

NIMFA D. CAMUA
Corporate Executive Officer II

INFORMATION TECHNOLOGY GROUP

**Information Technology Services
Department**

RODANTE G. PINEDA
Department Manager III

MADELAINE BARBARA M. FERNANDEZ
Corporate Executive Officer III

MAYBELYN V. HOMBREBUENO
Corporate Executive Officer II



**Information Technology Solutions
Department**

JOSE ALEX P. MERCADO
Corporate Executive Officer II

JOSE ALEXANDER G. FESTIN
Corporate Executive Officer I

DIVISION II

**OFFICE OF THE EXECUTIVE VICE
PRESIDENT**

IMELDA S. SINGZON
Executive Vice President

**OFFICE OF THE VICE PRESIDENT -
INSURANCE CLAIMS GROUP**

ELENITA B. VIDAL
Vice President

Presettlement Examination Department

FLORDELIZ C. PORSOVIGAN
Department Manager III

VICTORIA M. CANCINO
Assistant Department Manager II

JANET B. AGUILA
Assistant Department Manager II

NERILYN O. ABOGADO
Corporate Executive officer II

Claims Processing Department

TEODORO E. GALLARDO
Department Manager III

LUISITO M. CARREON
Assistant Department Manager II

EVANGELINE T. RIGAYEN
Corporate Executive Officer II

MILA O. TAMAYO
Corporate Executive Officer I

MA. TERESA A. HERRERA
Corporate Executive Officer I

Claims Settlement Department

VIVENCIO M. MANIAGO
Department Manager III

ROSENDA L. BARRIL
Corporate Executive Officer II

MA. GINA G. MARTOS
Corporate Executive Officer II

**OFFICE OF THE VICE PRESIDENT -
RECEIVERSHIP AND LIQUIDATION
GROUP I**

AURORA C. BALDOZ
Vice President

**Receivership and Liquidation
Department I-A**

TEODORO JOSE D. HIRANG
Department Manager III

IMELDA R. SALGADO
Assistant Department Manager II

ELMER JUAN C. HABER
Corporate Executive Officer II

LALAIN P. DELOS REYES
Corporate Executive Officer II

ZOSIMA D. LAONSAY
Corporate Executive Officer II

IMELDA A. BARRO
Corporate Executive Officer II

**Receivership and Liquidation
Department I-B**

TERESA H. GARCIA
Department Manager III

LEVY C. CRUZ
Assistant Department Manager II

RONALD C. ANGELES
Corporate Executive Officer II

ANA ROSA E. VIRAY
Corporate Executive Officer II

MA. BERNADETTE R. SANCHEZ
Corporate Executive Officer II

FLORANTE D. LUCOS
Corporate Executive Officer II

**OFFICE OF THE VICE PRESIDENT -
RECEIVERSHIP AND LIQUIDATION
GROUP II**

PABLO Y. ROMERO, JR.
Vice President

**Receivership and Liquidation
Department II-A**

ALBERTO M. CRUZ
Department Manager III

NICANORA H. BAG-AO
Assistant Department Manager II

BERNARDO A. TABUGADER
Corporate Executive Officer II

MA. REDENCION S. DAVID
Corporate Executive Officer II

LEONOR S. SAMONTE
Corporate Executive Officer II

RENATO R. ARGEL
Corporate Executive Officer II

**Receivership and Liquidation
Department II-B**

TERESITA D. GONZALES
Department Manager III

RENATO N. PULIDO
Assistant Department Manager II

RU C. DE ASAS
Corporate Executive Officer II

FERNANDO S. BOÑULA
Corporate Executive Officer II

HONORIO E. FRANCO, JR.
Corporate Executive Officer II

RIZALINA I. REPEDRO
Corporate Executive Officer II

**OFFICE OF THE VICE PRESIDENT -
ASSET MANAGEMENT GROUP**

FLORENCIO B. PAGSALIGAN
Vice President

MARY ANN C. CRISOSTOMO
Corporate Executive Officer II

Asset Management Department I

FERDINAND M. BELUAN
Department Manager III

DEMOCRITO L. BITANG
Corporate Executive Officer II

LEON C. CABRADILLA
Corporate Executive Officer II



Asset Management Department II

BENEFICO M. MAGDAY
Department Manager III

MA. ROSARIO T. MOJICA
Corporate Executive Officer I

MARIO D. LASAM
Corporate Executive Officer I

OFFICE OF THE VICE PRESIDENT - CRL SERVICES GROUP

EDITA D. VILLAR
Vice President

CRL Services Support Section

ALEX N. MARAVILLA
Corporate Executive Officer I

CRL Data and Support Services Department

ELIZABETH E. OLLER
Department Manager III

MA. THERESA B. SALCOR
Assistant Department Manager II

DOROTHY C. EAMILAO
Corporate Executive Officer I

Property Appraisal Department

RAMON A. MAAMO
Corporate Executive Officer IV

RECAREDO LEIGHTON A. TAMAYO
Corporate Executive Officer I

JOSE L. VALDEZ
Corporate Executive Officer I

OFFICE OF THE VICE PRESIDENT - FINANCE GROUP

MA. ELENA E. BIENVENIDA
Vice President

GLORIA M. VILLANUEVA
Corporate Executive Officer I

CAROL P. CAGALINGAN
Corporate Executive Officer I

Accounting Department

GERONIMO V. AMBE
Department Manager III

SALUD E. MARGAJAY
Corporate Executive Officer I

JUANITO R. ENRIQUEZ
Corporate Executive Officer I

THELMA B. ARIAS
Corporate Executive Officer I

SIMEON B. KASALA, JR.
Chief Accounts Management Specialist

Treasury Department

JOSEFINA G. COLIGADO
Department Manager III

ESTELITA R. DATINGALING
Corporate Executive Officer I

MARCIA BELLA C. RAMIREZ
Corporate Executive Officer I

Financial Assistance and Securities Monitoring Department

JOCELYN J. NEPOMUCENO
Department Manager III

HERMINIA S. MORALES
Corporate Executive Officer I

OFFICE OF THE VICE PRESIDENT - ADMINISTRATIVE SERVICES GROUP

CATHERINE F. BAMBA
Vice President

Procurement, Property and Records Department

ZENAIDA P. BAUTISTA
Department Manager III

CARMELYNE J. REYES
Assistant Department Manager II

CONCEPCION C. CALUAG
Corporate Executive Officer I

GEORGE BENEDICT O. CARREON
Corporate Executive Officer I

Building Administration, Security and Transportation Department

EUSTAQUIA M. QUITEVIS
Assistant Department Manager II/OIC

ERNESTO R. TORRES, JR.
Corporate Executive Officer II

JUAN V. LANTING
Corporate Executive Officer I



Deposit Insurance Fund

In 2003, the Deposit Insurance Fund (DIF) registered a 5.5 percent growth to P38.72 billion from P36.71 billion. The Permanent Insurance Fund, or the seed money from the National Government, amounting to P3 billion, estimated insurance losses of P33.36 billion, and retained earnings of P2.36 billion, constitute the DIF.

Financial Performance

Gross revenues for the year reached P8.78 billion, up 6.1 percent primarily due to income from financial assistance and assessments receipts. Of this amount, 53.7 percent represented assessment collections valued at P4.72 billion while 37 percent accounted for net income from investments worth P3.25 billion.

On the other hand, total expenses rose by 91.1 percent to P8.48 billion on account of higher operating expenses and provisions for losses/uncollectible accounts.

As a result, net income went down to P300.73 million from the previous year's P3.84 billion due to, among others, higher provisions for insurance losses and uncollectible accounts.

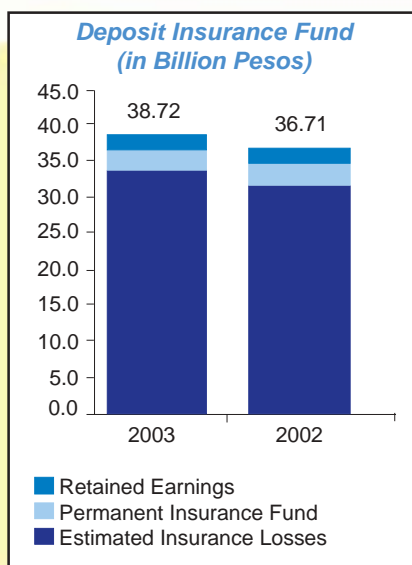
The Corporation's principal revenue sources remain to be assessment receipts levied against deposit liabilities of member banks, and interest income from investment in government securities. These funds are utilized to cover operating expenses, pay out insured deposits, fund financial assistance to banks, and settle borrowings from BSP.

Total resources of the Corporation stood at P125.78 billion, up 28.5 percent from the previous year's P97.91 billion. Total investments stood at P34.18 billion and financial assistance to member banks amounted to P68.31 billion, representing 81.5 percent of PDIC's resources. On the other hand, total liabilities amounted to P87.06 billion, up from P61.20 billion on the back of a 48.9 percent growth in loans payable to the BSP. These liabilities represented additional loans acquired from the BSP to bankroll financial assistance given to banks.

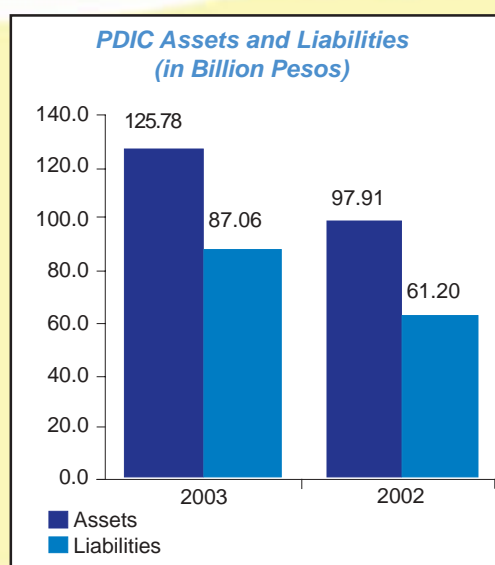
Government Remittance

For 2003, PDIC has contributed to the government's coffers a total P1.4 billion in taxes, some P810 million of which came from taxes on investments/placements in government securities, while P590 million came from minimum corporate income taxes to cover tax deficiencies for various years, particularly, P340 million for 2002, and P250 million for 2000.

Total dividends remitted to the Bureau of the Treasury for 2003 amounted to P1.15 billion. Of the total, P1.0 billion was remitted in June, representing the last tranche of the total declared dividend of P2 billion for 2002, while P150 million was paid in December, representing advance dividends for 2003.



Deposit Insurance Fund
The Deposit Insurance Fund (DIF) grew by 5.5 percent to P38.72 billion from P36.71 billion in 2002.



Assets and Liabilities
Total resources of the Corporation stood at P125.78 billion in 2003, up by 28.5% from P97.91 billion posted in 2002. Total liabilities, on the other hand grew by 42.2 percent to P87.06 billion.



COA AUDIT REPORT



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

The Board of Directors

Philippine Deposit Insurance Corporation
Makati City

We have audited the accompanying balance sheet of the Philippine Deposit Insurance Corporation (PDIC) as of December 31, 2003 and the related statements of income and retained earnings and cash flows for the year then ended. These financial statements are responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with laws, Commission on Audit and International Organization of Supreme Audit Institutions standards and applicable generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company as well as evaluating the overall financial statement presentation. We believe that our audits provide reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects the financial position of Philippine Deposit Insurance Corporation as of December 31, 2003 and the results of its operations and its cash flows for the year then ended, in conformity with applicable generally accepted accounting principles.

Without qualifying our opinion, we draw attention to Note 1 (h)* to the financial statements. Based on target framework, the desired level of Deposit Insurance Fund (DIF) or reserves approved by the Board of Directors for CY 2003 is equivalent to P60 billion, representing the estimated insured deposits for banks worstly categorized based on PDIC's Off-site Bank Rating Model (OBRM) and that of privately - owned, medium - sized domestic commercial banks with assets below P100 billion, as buffer for possible insurance claims or costs of financial assistance for rehabilitation of banks. At year end, the estimated insurance losses is stated at P33 billion which is 45% short of the target fund level. Likewise, failure of the larger universal banks call for outsourced funding as failure resolution of these conglomerate banks with systemic consequences may not be adequately addressed by the DIF alone. This condition indicates uncertainty on the ability of the Corporation to meet its mandate of providing cover for risks resulting from possible bank failures. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 1 (d) and Comments and Observations Nos. 1 and 2, the amount of P3.55 billion representing likely losses in consideration of the financial assistance granted to rehabilitated banks of P42.54 billion as of December 31, 2003 have been provided. The provisioning methodology has yet to be refined further with the end-in-view of adopting a formalized policy on the acquisition, administration and sale/disposal of acquired assets and in providing allowance for probable losses for assets whose carrying or book values have exceeded the estimated recoverable values.

COMMISSION ON AUDIT


DELFIN P. AGUILAR
Director

Cluster II-Financial B
Corporate Government Sector

February 27, 2004

*refers to note 1(g) in the attached notes to FS

FINANCIAL STATEMENTS



COMPARATIVE STATEMENTS OF CONDITION

(In Thousand Pesos)

	2001	2002	2003	Inc (Dec) 03-02	
				Amount	%
ASSETS					
Current Assets					
Cash on Hand and In Banks (Note 2)	182,145	52,607	78,239	25,632	48.7%
Short Term Investments (Note 3)	1,531,699	1,641,368	7,083,236	5,441,868	331.5%
Interest Receivable from Investments	709,110	715,183	674,627	(35,024)	-4.9%
Other Current Assets (Note 4)	408,903	679,819	797,706	112,356	16.5%
Total Current Assets	2,831,857	3,088,977	8,633,809	5,544,832	179.5%
Long Term Investments (Note 5)					
Government Securities - Treasury Bonds (Dollar)	355,472	366,228	436,254	70,026	19.1%
Government Securities - Treasury Notes/Bonds (Peso)	24,503,546	27,353,911	26,667,519	(686,392)	-2.5%
Total Long Term Investments	24,859,018	27,720,139	27,103,773	(616,366)	-2.2%
Financial Assistance to Banks (Note 6)	25,793,130	43,838,681	68,311,964	24,473,283	55.8%
Due from BSP - Treasury (Note 7)	4,165,766	4,165,766	4,165,766	-	0.0%
Investment in Preferred Stocks (Note 8)	-	7,807,018	7,807,018	-	0.0%
Special Fund (Note 9)	-	165,007	395,407	230,400	139.6%
GS - Trust Fund	-	2,599,298	-	(2,599,298)	-100.0%
Subrogated Claims Receivable (Note 10)	10,764,087	11,340,074	11,715,315	375,241	3.3%
Less: Allowance for Losses on Subrogated Claims Receivable	5,998,224	3,601,899	4,222,164	620,265	17.2%
Subrogated Claims Receivable - Assigned	447,085	391,596	386,404	(5,192)	-1.3%
Net Subrogated Claims Receivable	4,318,778	7,346,579	7,106,747	(239,832)	-3.3%
Fixed Assets (Note 11)	224,860	230,490	250,744	20,254	8.8%
Other Assets (Note 12)	921,295	948,981	2,005,138	1,056,157	111.3%
TOTAL ASSETS	63,114,704	97,910,936	125,780,365	27,869,429	28.5%
LIABILITIES, DEPOSIT INSURANCE FUND AND CONTINGENT SURPLUS					
LIABILITIES					
Current Liabilities (Note 13)	808,908	1,699,276	2,658,996	959,720	56.5%
Long Term Liabilities (Note 14)	30,071,329	55,999,544	83,405,447	27,405,903	48.9%
Deferred Credits (Note 15)	737,852	861,639	994,388	132,749	15.4%
Other Liabilities	-	2,641,763	-	(2,641,763)	-100.0%
TOTAL LIABILITIES	31,618,089	61,202,222	87,058,831	25,856,609	42.2%
DEPOSIT INSURANCE FUND					
Permanent Insurance Fund (Note 16)	3,000,000	3,000,000	3,000,000	-	0.0%
Estimated Insurance Losses	28,132,772	31,427,136	33,363,346	1,936,210	6.2%
Donated Surplus	507	507	507	-	0.0%
Retained Earnings	362,888	2,280,626	2,357,681	77,055	3.4%
TOTAL DEPOSIT INSURANCE FUND	31,496,167	36,708,269	38,721,534	2,013,265	5.5%
CONTINGENT SURPLUS	448	445	-	(445)	-100.0%
TOTAL LIABILITIES, DEPOSIT INSURANCE FUND AND CONTINGENT SURPLUS	63,114,704	97,910,936	125,780,365	27,869,429	28.5%



COMPARATIVE STATEMENTS OF INCOME AND EXPENSE

(In Thousand Pesos)

Inc (Dec) 03-02

	2001	2002	2003	Amount	%
GROSS ASSESSMENT (Note 17)	4,151,354	4,436,137	4,715,296	279,159	6.3%
Less: EXPENSES					
Operating Expenses (net of R/L)	509,394	856,997	1,206,666	349,669	40.8%
Interest on Borrowings	112,517	99,130	90,511	(8,619)	-8.7%
Provision for Insurance Losses	5,114,300	3,466,167	3,661,800	195,633	5.6%
Provision for Uncollectible Accounts	36,983	13,843	2,262,691	2,248,848	16245.4%
Cost of Bank Rehabilitation (Note 18)	-	-	1,255,200	1,255,200	-
TOTAL EXPENSES	5,773,194	4,436,137	8,476,869	4,040,732	91.1%
Excess of Expenses over Assessment	(1,621,840)	-	(3,761,573)	(3,761,573)	-
Add: Income from Investments (net of tax)					
INCOME FROM INVESTMENTS (net of tax)					
Treasury Notes/Bonds (Peso)	3,025,680	3,327,333	2,896,834	(430,498)	-12.9%
Treasury Bills	145,126	27,498	240,486	212,988	774.6%
Treasury Bonds (Dollar)	32,747	33,770	35,318	1,548	4.6%
Time Deposit	24,165	31,654	33,317	1,663	5.3%
Regular and Special Savings Deposit	20,654	6,819	25,695	18,876	276.8%
Pag-IBIG Housing Bonds	-	-	20,504	20,504	-
Gain on Sale of Investments	295	-	194	194	-
TOTAL INCOME FROM INVESTMENTS (net of tax)	3,248,667	3,427,074	3,252,348	(174,726)	-5.1%
INCOME FROM FINANCIAL ASSISTANCE	267,096	289,606	689,120	399,514	138.0%
OTHER INCOME (Note 19)	142,548	76,197	55,204	(20,993)	-27.6%
	3,658,311	3,792,877	3,996,672	203,795	5.4%
Net Income (Loss) Before Foreign Currency Revaluation	2,036,471	3,792,877	235,099	(3,557,778)	-93.8%
Gain (Loss) in Foreign Currency Revaluation	29,467	42,597	65,630	23,033	54.1%
NET INCOME	2,065,938	3,835,475	300,729	(3,534,746)	-92.2%



COMPARATIVE STATEMENTS OF CASH FLOWS

(In Thousand Pesos)

Inc (Dec) 03-02

	2001	2002	2003	Amount	%
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from member banks for assessments	4,149,931	4,431,512	4,714,529	283,017	6.4%
Income from savings deposits	25,762	8,598	79,399	70,801	823.5%
Income from financial assistance	1,660,071	1,253,123	1,450,358	197,235	15.7%
Income from investments	3,276,174	3,558,577	5,606,581	2,048,004	57.6%
Collections of various receivables	56,864	41,913	45,489	3,576	8.5%
Collections from Subrogated Claims	342,247	100,466	280,617	180,151	179.3%
Miscellaneous income	66,780	15,882	43,809	27,927	175.8%
Various Inflows	568,502	176,147	185,159	9,012	5.1%
Expenses incurred for R/L of closed banks	(632)	(3,344)	(90,693)	(87,349)	2612.1%
Payments to suppliers	(224,432)	(576,656)	(573,486)	3,170	-0.5%
Payments to employees	(334,233)	(367,179)	(475,835)	(108,656)	29.6%
Final taxes and other prepaid expenses	(108,295)	(112,241)	(108,848)	3,393	-3.0%
Payment of interest on BSP loans	(1,908,638)	(780,149)	(1,157,593)	(377,444)	48.4%
Payment of insured deposits	(1,761,496)	(677,603)	(651,494)	26,109	-3.9%
Various Outflows	(164,204)	(245,295)	(3,068,558)	(2,823,263)	1151.0%
Net Cash Provided by Operating Activities	5,644,401	6,823,751	6,279,434	(544,317)	-8.0%
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from matured investments	12,244,833	11,642,035	50,693,093	39,051,058	335.4%
Proceeds from trust fund	-	5,904	-	(5,904)	-100.0%
Gain from sale/exchange of investment	294	-	194	194	-
Collection of financial assistance granted to member banks	7,735,889	3,009,030	759,268	(2,249,762)	-74.8%
Placements in Various Investments	(14,820,132)	(17,426,625)	(55,087,706)	(37,661,081)	216.1%
Financial assistance granted to member banks	(32,500)	(14,961,975)	(28,873,043)	(13,911,068)	93.0%
Capital expenditures	(16,025)	(5,070)	(18,911)	(13,841)	273.0%
Net Cash Provided by Investing Activities	5,112,359	(17,736,701)	(32,527,105)	(14,790,404)	83.4%
CASH FLOWS FROM FINANCING ACTIVITIES					
Borrowings from BSP for Financial Assistance	-	14,954,204	36,218,943	21,264,739	142.2%
Payment of Loans to BSP	(8,181,658)	(2,921,941)	(8,796,785)	(5,874,844)	201.1%
Payment of dividend to National Government	(2,750,000)	(1,250,000)	(1,150,000)	100,000	-8.0%
Net Cash Provided by Financing Activities	(10,931,658)	10,782,263	26,272,158	15,489,895	143.7%
Effect of Foreign Currency Revaluation		1,149	1,145	(4)	-0.3%
Net Increase/(Decrease) in Cash	(174,898)	(129,538)	25,632	155,170	-119.8%
Cash and Cash Equivalents at Beginning of Year	357,043	182,145	52,607	(129,538)	-71.1%
Cash and Cash Equivalents at End of Period	182,145	52,607	78,239	25,632	48.7%
Net Increase/(Decrease) in Cash	(174,898)	(129,538)	25,632	155,170	-119.8%

Note: Cash balance includes all cash on hand and cash in bank balances. Time deposits and special savings deposits are classified as investments.



SUMMARIZED NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Basis for Recording*

These financial statements are presented in accordance with the generally accepted accounting principles (GAAP). These statements do not include assets and liabilities of closed banks for which the Corporation acts as receiver or liquidator.

b. *Assessment*

Member banks are assessed a maximum of 1/5 of 1 percent per year payable semi-annually. The amount of assessment is based on the average deposit liabilities as of end of March and June for the first semester, payable by banks not later than July 31 of the same year and the average deposit liabilities as of end of September and December for the second semester, payable not later than January 31 of the succeeding year. Failure or refusal by any member bank to pay any assessment due may lead to the termination of its insured status. Late payment is likewise subject to interest and penalty charges.

c. *Financial Assistance*

The Corporation may grant financial assistance to a distressed member bank, or its acquirer, for its rehabilitation to prevent closure, provided the optimal cost resolution principle, where the grant of assistance proves less costly than deposit insurance payout and liquidation, and other underlying conditionalities are observed. This financial assistance may be in the form of direct loans, purchase of assets, assumption of liabilities or placement of deposits.

d. *Allowance for Probable Losses on Acquired Assets*

The allowance represents the accumulated provisions for probable losses on bank assets acquired through the grant of financial assistance. Annually booked provisions currently follow a programmed schedule, which may be refined further upon adoption of a formal policy on treatment of such assets.

e. *Investments*

Unutilized funds are invested in Treasury Bills, Notes and Bonds and are recorded at cost. Income from these investments is amortized over the term of the instrument. Final taxes paid upon placement are booked as Prepaid Taxes and amortized over the term of the placement.

f. *Dollar Denominated Assets*

US dollar denominated assets are initially carried at the value as of transaction date and revalued at the applicable exchange rate at year-end. Thus, existing dollar denominated assets are carried at the exchange rate as of previous year.

g. *Insurance Reserves*

Starting year end 2003, PDIC adopted a fund target approach with the target level annually derived based on potential demand and direct threat to the Corporation's capital or the Deposit Insurance Fund. This is measured by PDIC's risk exposure on banks deemed on the verge of closure or beyond resolve unless with third party intervention to include additional allowance for the potential failure of other banks arising from unforeseen economic and industry conditions that may cause the financial deterioration of the bank. Given this fund target approach, all assessment collections and income from operations after operating expenses and applicable charges accrue to the DIF. This is a departure from previous methodology in determining the amount of annual provision for insurance losses as basis for DIF build up. The insurance reserve is recorded in the books as Estimated Insurance Losses.



h. Allowance for Losses on Subrogated Claims Receivable / Accounts Receivable – Receivership and Liquidation

Subrogated Claims Receivable (*payments made by the Corporation on deposit insurance claims, see Note 10*) is being provided allowance for probable losses from non-recovery of such exposure from liquidation proceeds of closed banks. Starting year 2003, the allowance has been computed taking into consideration each closed bank's Estimated Realizable Value of Assets (ERVA). The amount computed as allowance is amortized over three years.

Expenses incurred by the Corporation for its receivership and liquidation functions are charged against closed banks (*booked as Accounts Receivable-Receivership and Liquidation, see Note 12b*) and allowance is being provided for probable losses computed at 70 percent of total receivable outstanding at year-end.

i. Net Assessment Income / Loss

This account represents assessments collected from member banks minus a) operating costs and expenses of the Corporation; b) interest on borrowings – PDIC; c) provision for probable losses on financial assistance; d) provision for probable losses on acquired assets; e) provision for losses on Subrogated Claims Receivable / Accounts Receivable – Receivership and Liquidation; and f) provision for insurance losses.

j. Inventories

Inventories of supplies and materials, decals and standees, postage stamps and documentary stamps are recorded on a first-in first-out (FIFO) method.

k. Fixed Assets

Fixed assets are carried at cost and depreciated using the straight line method as follows:

Computers, Furniture, Fixtures, and Equipment	3 years
Vehicles	5 years
Building	25 years

l. Employee Benefit Plan

The Corporation has a contributory Provident Fund covering all employees. The fund is divided into provident fund and housing fund. Employees may opt to contribute a percentage of their basic salary to each fund, while the Corporation puts in a fixed percentage of employees' basic salary. Corporate contribution is vested to the employee after completing a year of service in the Corporation.

m. Retained Earnings

The beginning balance of this account was adjusted higher to reflect prior period adjustments amounting to P8.59 million in compliance with the revised 2000 Statement of Financial Accounting Standards (SFAS) No. 13.



NOTE 2 - CASH ON HAND AND IN BANKS

This account includes the following:

	2002	2003
	(In Thousand Pesos)	
Cash on Hand /a	98	1,554
Cash in Bank - Principal Accounts /b	18,389	11,601
Cash in Bank - Settlement of Claims /c	9,091	23,771
Cash in Bank - Transferee Banks /d	24,970	41,254
Due from BSP	59	59
Total	52,607	78,239

- a/ Includes Checks and Other Cash Items amounting to P1.42 million received at the close of office hours on the last business day of the year.
- b/ Includes, among others, payroll and corporate operating funds.
- c/ Funds for payment of insured deposits used by disbursing officers of the Corporation deployed to closed banks to service insurance claims.
- d/ In closed banks where the transfer deposit mode of settlement of insurance claims is adopted, PDIC enters into agreement with and transfers funds to the Land Bank of the Philippines (LBP) branch near the vicinity of the closed bank branches for payout operations.

NOTE 3 - SHORT TERM INVESTMENTS

This account includes the following:

	2002	2003
	(In Thousand Pesos)	
Treasury Bills /a	576,218	5,999,700
Dollar Time Deposit /b	1,021,450	1,083,536
Special Savings Deposit	43,700	
Total	1,641,368	7,083,236

- a/ With terms ranging from 166 to 364 days and yields of 6.25 to 8.32 percent p.a.
- b/ With terms ranging from 58 to 120 days and yields of 1.62 to 3.34 percent p.a.

NOTE 4 - OTHER CURRENT ASSETS

This account includes the following:

	2002	2003
	(In Thousand Pesos)	
Accrued Interest on Financial Assistance /a	654,896	727,923
Prepaid Expenses /b	7,705	35,877
Inventory of Supplies and Materials /c	10,852	13,523
Accounts Receivable	5,635	17,717
Due from Officers and Employees	384	2,273
Cash Advance /d	347	393
Total	679,819	797,706

- a/ See Note 6.
- b/ Includes prepaid taxes on treasury bills, P34.89 million.



- c/ Includes semi-expendable supplies and material booked under Inventory account in compliance with COA regulations.
- d/ Cash advances of officers and staff for travel expenses.

NOTE 5 – LONG TERM INVESTMENTS

PDIC's long term investments are composed of peso and dollar-denominated treasury notes/bonds.

	2002	2003
	(In Thousand Pesos)	
Government Securities - Global Bonds (Dollar)	366,228	436,254
Government Securities - Treasury Bonds (Peso)	27,353,911	26,667,519
Total	27,720,139	27,103,773

NOTE 6 - FINANCIAL ASSISTANCE TO BANKS

As of yearend 2003, financial assistance (net of allowance for losses) extended by PDIC amounted to P 71.86 billion, of which P 71.48 billion was extended to 11 banks; and the balance of P 0.38 billion represents swap between BSP's receivable from various rural banks and PDIC's subrogated claims for the implementation of the Countryside Financial Institutions Enhancement Program (CFIEP).

Assets acquired by PDIC arising from financial assistance amounting to P42.54 billion is given an allowance for probable losses in the amount of P3.55 billion.

NOTE 7 - DUE FROM BSP - TREASURY

This account represents funds managed by BSP on account of financial assistance to two banks which were recipients of PDIC assistance in 1997 and 1999. These managed funds are set aside to pay the borrowings from BSP as they fall due.

NOTE 8 - INVESTMENT IN PREFERRED STOCKS

This refers to the preferred shares issued by a bank to PDIC by way of debt-to-equity conversion relative to its rehabilitation program.

NOTE 9 - SPECIAL FUND

This account is used to record all recoveries, collections, income and proceeds in relation to the financial assistance to a bank pursuant to the Memoranda of Agreement (MOA) between BSP and PDIC.

NOTE 10 - SUBROGATED CLAIMS RECEIVABLE

This is the balance of amount paid by PDIC to insured depositors of closed banks for recovery from the liquidation of closed banks' assets. On the other hand, the Subrogated Claims Receivable Assigned account represents the amount of subrogated claims assigned to BSP in exchange for their notes receivable from banks that availed of the CFIEP administered jointly by PDIC, LBP and BSP. Receivables from LBP is due at the end of 7 years from the date of asset swap, and collection thereon will be used to redeem the subrogated claims assigned to BSP (see Note 6).



SUMMARIZED NOTES TO FINANCIAL STATEMENTS

This account is composed of the following:

	2002	2003
	(In Thousand Pesos)	
Subrogated Claims Receivable	11,340,074	11,715,315
Less: Subrogated Claims Receivable Assigned	391,596	386,404
Allowance for Losses	3,601,899	4,222,164
Net	7,346,579	7,106,747

In year 2003, 10 banks were closed with total deposit liabilities of P0.45 billion consisting of 24,397 accounts.

NOTE 11 - FIXED ASSETS

This account includes the following:

	2002	2003
	(In Thousand Pesos)	
Land /a	93,511	93,511
Building /a	149,722	149,667
Furniture, Fixtures, Equipment and Books	133,267	168,206
Leasehold Rights and Improvements /b		8,919
Total	376,500	420,303
Less: Allowance for Depreciation /c	146,010	169,559
Total Net Book Value	230,490	250,744

- a/ Refers to properties located in Pasong Tamo (Land - P26.21 million and Building - P147.22 million) and the closed Banco Primero Development Bank property located in Pasay City acquired by the Corporation in 1999 (Land - P67.31 million and Building - P2.44 million).
- b/ Refers to expenses incurred for the refurbishing of the PDIC extension office in Ayala, Makati City and is being amortized for a period of three (3) years.
- c/ Depreciation expense for 2002 and 2003 amounted to P20.33 million and P25.38 million, respectively.

NOTE 12 - OTHER ASSETS

This account includes the following:

	2002	2003
	(In Thousand Pesos)	
Accounts Receivable: Financial assistance to various banks closed in the 1980's /a	158,234	158,234
Various Closed Banks - Receivership and Liquidation Expenses /b	388,031	551,426
Provident Fund /c	39,957	39,456
Other Banks - Assessment Deficiencies /d	10	10
Sub-total	586,232	749,126
Deferred Charges /e	656,709	781,825
Due from Rehabilitation Fund /f		895,480
Due from Trust Fund	9,452	
Others /g	1,607	5,405
Total	1,254,000	2,431,836
Less: Allowance for Probable Losses	305,019	426,698
Net	948,981	2,005,138



- a/ A 100 percent allowance is provided in view of the low or nil probability of recovery from the liquidation of the closed banks.
- b/ Necessary expenses advanced by the Corporation as receiver and liquidator of closed banks. In CY 2003, a total of P29.23 million in R/L expenses was recovered from 24 closed banks, e.g., Permanent Savings and Loan Bank (P4.30 million), Banco Primero Development Bank (P3.47 million), Perpetual Savings Bank (P3.06 million). Likewise, an allowance of 70 percent of the outstanding balance is provided in view of the low probability of recovery from the liquidation of these banks.
- c/ Represents advances to the provident fund (P2.0 million), housing fund (P6.0 million) and car fund (P31.46 million).
- d/ Refers to unpaid assessment deficiencies of banks subsequently closed.
- e/ Relates to cost of financial assistance which would be recovered from interest income on government securities purchased under approved rehabilitations plans for two (2) banks.
- f/ Interest income due from a bank rehabilitation fund to service borrowings from BSP (see Note 14).
- g/ Represents Miscellaneous Assets, i.e., subscriber's investments and deposits with other companies like MWSS, MERALCO, and PLDT.

NOTE 13 - CURRENT LIABILITIES

This account includes the following:

	2002	2003
	(In Thousand Pesos)	
Accrued Interest Payable to BSP /a	621,721	1,519,798
Accounts Payable - Various /b	129,350	1,108,851
Others /c	948,205	30,347
Total	1,699,276	2,658,996

- a/ See Notes 6 and 14.
- b/ Refers to the amount due to various suppliers/creditors.
- c/ Represents Due to Officers and Employees (P3.86 million) and Provision for Retirement (P26.49 million).

NOTE 14 - LONG TERM LIABILITIES

This account represents outstanding loans payable to BSP mainly to fund financial assistance extended to the various banks and to service insurance claims payments made in the 1980's.

NOTE 15 - DEFERRED CREDITS

This account includes the following:

	2002	2003
	(In Thousand Pesos)	
Deferred Assessment /a	616	86
Deferred Service Income /b	38,722	68,556
Deferred Credits - Inventories /c	9,545	11,815
Deferred Credits - Loans /d	462,682	578,700
Unearned Income /e	350,074	335,231
Total	861,639	994,388



- a/ Refers to overpayment by banks which are creditable to subsequent assessment period.
- b/ Partial reimbursement of salary and other benefits of PDIC officials involved in receivership and liquidation of closed banks.
- c/ Refers to the contra-account of Inventory Supplies and Materials - Semi-Expendable booked as such in compliance with COA regulations (see Note 4c).
- d/ Temporary lodging account for collections to be used to pay off obligations to BSP at the end of the term of the financial assistance extended to various banks.
- e/ Refers to discounts earned from the purchase of treasury bonds.

NOTE 16 - PERMANENT INSURANCE FUND

This is the total capital provided by the National Government by virtue of Republic Act No. 3591, as amended. The full capitalization was reached in 1994.

NOTE 17 - ASSESSMENT

Assessment collected from member banks (see Note 1b):

	2002	2003
	(In Thousand Pesos)	
Commercial Banks	4,001,647	4,243,766
Thrift Banks	337,925	358,739
Rural Banks	96,565	112,790
Total	4,436,137	4,715,296

NOTE 18 - COST OF BANK REHABILITATION

This account represents the estimated cost to PDIC of granting financial assistance to various banks.

NOTE 19 - OTHER INCOME

Among those included in this classification are leasehold payments for office space used by various closed banks, interest and penalties on late payments of assessments, dividends from PLDT shares of stock, and proceeds from sale of decals and standees.

BULLETINS/REGULATORY ISSUANCES ISSUED



BULLETIN NO. 2003-04

To : Member Banks

Subject : Filing of the Regular Certified Statement
And Remittance of the Assessment

Please be informed that the deadline for submission of the Regular Certified Statement (RCS) – PDIC Form No. 201 together with the other schedules mentioned under PDIC Regulatory Issuance (RI) No. 2002-04, and remittance of the assessment (based on the average balance of deposit liabilities as of 31 March and 30 June 2003) shall be on or before the close of business hours at 5:00 p.m. on 31 July 2003. The semi-annual assessment shall be the product of the assessment base multiplied by $\frac{1}{2}$ of $\frac{1}{5}$ of 1% but in no case shall the assessment be less than P250.00. The assessment shall be paid to the Philippine Deposit Insurance Corporation (PDIC) either in cash, Metro Manila or any regional clearing check, manager's check, demand draft, or Philippine postal money order (PPMO).

The assessment remittance must be addressed directly to **The Treasury Department, PDIC**, together with the required RCS. The RCS must be prepared in quadruplicate and signed under oath by an authorized officer of the bank.

Interest and penalties shall be imposed on banks that fail to file the RCS and remit the assessment by 31 July 2003. Pursuant to Section 6(h) of Republic Act No. 3591, as amended, otherwise known as the PDIC Charter, failure or refusal to file the certified statement and pay the corresponding assessment could result in the termination of the insured status of the delinquent bank.

Further, please be guided that, under the said RI No. 2002-04, Accrued Interest Payable on all deposit accounts are included in the computation of the assessment due.

For your strict compliance.

A handwritten signature in blue ink, appearing to be 'Ricardo M. Tan', is written above the printed name.

RICARDO M. TAN
President & Chief Executive Officer

13 May 2003



BULLETIN NO. 2003-09

To : Member Banks

Subject : Filing of the Regular Certified Statement
And Remittance of the Assessment

Please be reminded that the deadline for submission of the Regular Certified Statement (RCS) – PDIC Form No. 201 together with the required schedules pursuant to PDIC Regulatory Issuance (RI) No. 2002-04, and remittance of the assessment (based on the average balance of deposit liabilities as of 30 September and 31 December 2003) shall be on or before 31 January 2004.

The semi-annual assessment shall be the product of the assessment base multiplied by $\frac{1}{2}$ of $\frac{1}{5}$ of 1% but in no case shall the assessment be less than P250.00. The assessment shall be paid to the Philippine Deposit Insurance Corporation (PDIC) either in cash, Metro Manila or any regional clearing check, manager's check, demand draft, or Philippine postal money order (PPMO).

The assessment remittance together with the required RCS must be addressed to PDIC's Treasury Department and forwarded to its new address as follows:

**The Treasury Department
Philippine Deposit Insurance Corporation
8th Floor, SSS Building
Ayala Avenue corner Herrera Street
Makati City**

The RCS must be prepared in quadruplicate and signed under oath by an authorized officer of the bank.

Interest and penalties shall be imposed on banks that fail to file the RCS and/or remit the assessment by abovementioned deadline. Pursuant to Section 6(h) of Republic Act No. 3591, as amended, otherwise known as the PDIC Charter, failure or refusal to file the certified statement and pay the corresponding assessment shall result in the termination of the insured status of the delinquent bank.

Further, please be guided that, under the said RI No. 2002-04, Accrued Interest Payable on all deposit liabilities are included in the computation of the assessment due.

Finally, please be informed that attached RCS - PDIC Form No. 201 provides a breakdown/description of assessable items aside from deposit liabilities.

For your strict compliance.

RICARDO M. TAN
President & Chief Executive Officer

28 November 2003



(PDIC Form No. 201)

(Prepare in quadruplicate)

REGULAR CERTIFIED STATEMENT
 BASED ON DEPOSIT BALANCES AS OF _____
 and _____
 (BASE DAYS)

IMPORTANT:
 Read "Instructions on the Preparation of PDIC Form No. 201" before accomplishing this form. This Certified Statement with a remittance for the amount due must be POSTMARKED ON OR BEFORE 31 January and 31 July.

NAME OF BANK: _____
ADDRESS: _____

	(P.00 Omitted)	
	BASE DAYS	
	P	TOTAL of columns 1 & 2
A. Total Assessment Items		
Domestic Deposit Liabilities ¹		
Foreign Currency Deposits ¹		
Accrued Interest Payable (AIP) on Deposits ²		
Deposit items lodged under other liability accounts ³		
B. Assessment Base (Item A divided by 2)		P _____
C. Amount of Assessment (Item B multiplied by 1/2 of ____ of 1%, but not less than P250.00)		P _____
D. Interest & Penalty for Late Remittance:		
1) Interest (Item C multiplied by ____% per annum)	P _____	
2) Penalty (P____ for each Day of Delay in Payment)	P _____	
3) Total Interest & Penalty (Sum of Items D-1 & D-2)		P _____
E. Total Assessment Due PDIC for above Base Days (Sum of Item C & D-3)		P _____
F. Credits:		
1) Credit for Overpayment of Assessment per PDIC letter dated _____	P _____	
2) Other Approved Credit Due Bank	P _____	
3) Total Credits (Sum of Items F-1 & F-2)		P _____
G. Net Balance Due PDIC (Item E minus Item F-3)		P _____
REMITTANCE ENCLOSED		P _____
H. Remaining Credit Due Bank (Excess of Item F-3 over Item E)		P _____

The undersigned hereby declares, under penalties of perjury, that he is a duly authorized official of the above bank, that he has examined this statement and that to the best of his knowledge and belief, such statement (including attachments if any) is true, correct and complete and is made in accordance with the Philippine Deposit Insurance Corporation Act and regulations issued thereunder.

_____ 20__

 (Authorized Signature)

 (Name in Print)

 (Designation)

SUBSCRIBED AND SWORN TO before me this ____ day of _____ 20__, affiant exhibited to me his Residence Certificate No. A-_____ issued at _____ on _____ 20__.

Doc. No. _____ Book No. _____
 Page No. _____ Series of 20__

 (Notary Public Until _____)

(For PDIC Use Only)
 REVIEWED BY: _____

VERIFIED BY: _____

Notes:

1 Includes Demand; NOW; Savings; Special Savings; and Time Deposits

2 Includes AIP on Demand; NOW; Savings (Regular and Special Savings) and Time Deposits

Includes Due to Local Banks; Due to Foreign Banks; Due to the Treasurer of the Philippines; Other Credits-Unclaimed Balances; Other Credits-Dormant; Payable; Miscellaneous Liabilities; Sundry Credits; Due To/From Head Office/Branches; Others

3

Bills Payable-Foreign; Accounts



PDIC REGULATORY ISSUANCE NO. 2003-01

TO : ALL MEMBER BANKS AND ALL DEPOSITORS

SUBJECT : AMENDMENT TO REGULATORY ISSUANCE NO. 2002-02,
"GUIDELINES ON TERMINATION AND REINSTATEMENT
OF INSURED STATUS OF BANKS"

Pursuant to the provisions of R.A 3591, as amended, entitled "AN ACT ESTABLISHING THE PHILIPPINE DEPOSIT INSURANCE CORPORATION, DEFINING ITS POWERS AND DUTIES AND FOR OTHER PURPOSES," and PDIC Board Resolution No. 2003-08-136 dated 20 August 2003, the following regulations are hereby promulgated:

Section 1. *Amendment.* Item 9 of the PDIC Regulatory Issuance No. 2002-02, to wit:

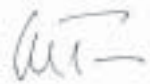
"9. The insured deposits of each depositor in the bank as of the effective date of termination, less all subsequent withdrawals/debit adjustments from any deposits of such depositor, shall continue to be insured for a period of ninety (90) days from the date of such termination. No additions to any such deposits and no new deposits in such bank after the date of such termination shall be insured by PDIC."

is hereby amended to read as follows:

"9. The insured deposits of each depositor in the bank as of the **day following the third and final publication in a newspaper of general circulation of the notice of termination of the bank's insured status**, less all subsequent withdrawals/debit adjustments from any deposits of such depositor, shall continue to be insured for a period of ninety (90) days from **said day**. No additions to any such deposits and no new deposits in such bank after the date of **the third and final publication of such notice of termination** shall be insured by PDIC."

Section 2. *Repealing Clause.* All Regulatory Issuances issued by the PDIC or parts thereof which are inconsistent with the provisions of this Issuance are hereby repealed or amended accordingly.

Section 3. *Effectivity.* This Issuance shall take effect fifteen (15) days after publication in the Official Gazette or in any newspaper of general circulation.


RICARDO M. TAN
President and Chief Executive Officer

20 August 2003



A

ABADILLA, FERNANDO S.
ABAN, ALEXIS A.
ABAY, JOSUE G.
ABENIS, MARIA SALOME C.
ABIERA, DENNIS Y.
ABOGADO, NERILYN O.
ABRIAM, RODERICK M.
ACOSTA, ALEJANDRO, JR. S.
ACOSTA, BETTINA N.
ACUNA, ADELIA H.
ACUNIN, MARA JANE L.
ADOTE, DHELIA A.
ADUANA, GERHARDUS C.
ADVIENTO, ROSARIO F.
AGABAO, LENIN D.
AGNA, IRBEN L.
AGNES, MA. CARIDAD R.
AGUILA, JANET B.
AGUILAR, ELADIO R.
AGUINALDO, LEO L.
AGUSTIN, JENELYN P.
ALAGOS, DAISY ANN T.
ALAMBRA, LOIDA A.
ALARCA, MARY ROSALIND A.
ALBERIO, ROSA MAY C.
ALCOBA, ARIEL M.
ALDEGUER, VICTORIA T.
ALIDON, PIO B.
AMBE, GERONIMO V.
AMBONG, SONIA A.
AMIGLEO, NOREEN R.
ANDAYA, ARLEIGH S.
ANDRADA, JOVY R.
ANGELES, BEATRIZ R.
ANGELES, RONALD C.
ANI, JACQUELINE I.
ANINGALAN, RACELLE B.
ANTONIO, FLORANTE, JR. F.
ANTONIO, MARIA GRACIA N.
ANTONIO, NIÑA M.
ANTONIO, RICARDO D.
APARICIO, JONA M.
APOLINARIO, CELY E.
AQUINO, ERNESTO C.
ARA, ERLEEN B.
AREVALO, ELMO R.
ARGEL, RENATO R.
ARIAS, THELMA B.
ARIZALA, AURA MARINA R.
ARRIOLA, MARIVIC C.
ARRIOLA, ROMEO C.
ARTILLO, MARY ARDELYN D.
ARZAGA, VICTORIANO C.
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.
BADILLA, JUDITH E.
BADILLO, ROSA MARIA V.
BAG-AO, NICANORA H.
BAGNES, LYN D.
BAGUIO, GODOFREDA P.
BALASABAS, MARILOU M.

BALDE, MA. LEA D.
BALDONO, SHEILA MARIE C.
BALDOZ, AURORA C.
BALLESTEROS, ARTURO C.
BALTAZAR, MA. PAZ V.
BAMBA, CATHERINE F.
BANAAG, CARLITO B.
BANDERA, SOCORRO C.
BARITE, FAMELA PAT S.
BARNACHEA, RENE S.
BARRAL, ROSALIE F.
BARRANDA, STELLA D.
BARRERA, ROMEL M.
BARRIL, ROSENDA L.
BARRO, IMELDA A.
BARROS, LENY GRACE A.
BATAAN, LIZ D.
BATAC, ARACELI F.
BATALLA, ALLAN PAUL G.
BATAY, ROSALYN D.
BATHAN, AILEEN M.
BAUTISTA, DINAH T.
BAUTISTA, EDGARDO M.
BAUTISTA, GRACE V.
BAUTISTA, ZENALDA P.
BAYLON, JOSIELYN S.
BELLO, SHERWIN Z.
BELLO, VIRGINIA D.
BELTEJAR, YSHMAEL C.
BELTRAN, LILLI ANN R.
BELTRAN, MA. LOURDES E.
BELUAN, FERDINAND M.
BENDANA, JOSE A.
BHAGWANI, RESCINA S.
BIEN, LOLITA B.
BIENVENIDA, MA. ELENA E.
BILLONES, GILROY V.
BINALLA, ESTER B.
BITANG, DEMOCRITO L.
BLAZA, VICTORIA P.
BOLIVAR, MA. ANTONETTE B.
BONDOC, JOHN LEONARD S.
BONGALOS, MARIA ELIZA B.
BONULA, FERNANDO S.
BOONE, ANICETA A.
BORLONGAN, EUGENE V.
BRAGA, MELODY GRACE M.
BRIONES, EROLYN R.
BRIONES, GUILLERMO A.
BUENAVENTURA, ARDIN S.
BUENO, PRINCESS L.
BUGAYONG, DANILO B.
BUIQUIL, RENE C.
BUISING, MARYMER D.
BUNA, LANIE A.
BUNDALIAN, GLENDA G.

C

CABA, PHEDILYN Q.
CABAMONGAN, RUFINA S.
CABRADILLA, LEON C.
CADERAO, MARDONIO C.
CAGALINGAN, CAROL P.
CALAPAN, ASUNCION S.
CALBARIO, AURAMAR D.
CALDERON, CRISTINA C.
CALLEJA, MA. EVANGELINE P.
CALLEJA, THELMA C.
CALUAG, AUGUSTO N.
CALUAG, CONCEPCION C.
CALUB, MARILOU D.
CALVEZ, VILMA Y.
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CANAVERAL, MERLIE M.
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CARBO, RIZZA L.
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CARIGMA, HOMER SM.
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OCAMPO, SHEILA THERESA P.
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OPURA, ROMEO B.
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PARRENO, EDMUNDO P.
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PATRON, ROSANNA A.
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PERALTA, ARLENE A.
PEREZ, FERNANDO C.
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