Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City
CORPORATE GOVERNMENT SECTOR
CLUSTER 1 - BANKING AND CREDIT

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Philippine Deposit Insurance Corporation
Makati City

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Philippine Deposit Insurance Corporation (PDIC), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the PDIC as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the PDIC in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippine Public Sector, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 13 to the financial statements which disclosed that Notes Payable to the Bangko Sentral ng Pilipinas (BSP) did not include the principal amount of P1.44 billion and interest of P1.27 billion claimed by BSP due to an unresolved issue on the interpretation of Section 1.02 in relation to Section 1.05 of the Loan Agreement dated November 21, 2002 executed between BSP and PDIC. The matter was elevated by BSP to the Department of Justice (DOJ) for resolution and adjudication. DOJ issued a Resolution dated October 23, 2019 resolving the issues presented. A Notice of Appeal dated November 8, 2019 was filed by PDIC before the Office of the President of the Philippines. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the PDIC's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the PDIC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the PDIC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PDIC's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 27 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of PDIC. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

By:

ROSALINDA T. SILAGAN
OIC-Supervising Auditor

August 28, 2020

PDIC

Bank deposit mo, protektado!

PHILIPPINE DEPOSIT INSURANCE CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Philippine Deposit Insurance Corporation is responsible for the preparation and fair presentation of the financial statements for the year ended December 31, 2019, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board Audit Committee reviews and endorses to the Board of Directors the financial statements for notation. The Board of Directors approves the release of the financial statements to the Commission on Audit and other users.

The Commission on Audit has audited the financial statements of the PDIC in accordance with the International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

SANDRA A. DIAZ
Senior Vice President
Management Services Sector

JOSEFINA J. VELILLA
First Vice President
Comptrollership Group

ROBERTO B. TAN
President & CEO

August 27, 2020

PHILIPPINE DEPOSIT INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	Restated 2018
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	1,535,143,114	4,049,597,889
Financial Assets	4	23,668,900,519	4,792,748,761
Other Investments	5	14,447,013,190	3,747,682,948
Receivables	6	17,198,903	20,521,917
Inventories	7	173,157	161,133
Assets Held for Sale, net	8	0	44,458,783
Other Current Assets	12	376,434,573	332,556,625
		40,044,863,456	**12,987,728,056**
Non-Current Assets			
Financial Assets	4	193,424,013,032	188,111,804,244
Other Investments	5	34,576,459,798	43,319,924,401
Receivables, net	6	2,613,393,152	2,125,035,122
Investment Property, net	9	1,825,343,796	1,742,190,599
Property, Plant and Equipment, net	10	151,967,981	169,698,418
Intangible Assets, net	11	11,003,350	15,871,445
Other Non-Current Assets, net	12	473,150,623	329,603,815
		233,075,331,732	**235,814,128,044**
Total Assets		**273,120,195,188**	**248,801,856,100**
LIABILITIES			
Current Liabilities			
Financial Liabilities	13	21,250,895,436	357,103,353
Inter-Agency Payables	14	32,731,937	38,777,225
Trust Liabilities	15	3,955,382	4,020,903
Unearned Income	16	2,365,873	2,564,953
Other Payables	19	4,328,490,289	3,229,581,291
		25,618,438,917	**3,632,047,725**
Non-Current Liabilities			
Financial Liabilities	13	50,736,842,688	68,059,164,893
Trust Liabilities	15	4,083,068	2,532,256
Unearned Income	16	1,114,519	2,997,521
Provisions	17	240,945,007	234,582,104
Deferred Tax Liabilities	18	0	750
		50,982,985,282	**68,299,277,524**
Total Liabilities		**76,601,424,199**	**71,931,325,249**
EQUITY			
Government Equity (Permanent Insurance Fund)		3,000,000,000	3,000,000,000
Reserves for Insurance Losses		168,736,229,639	146,057,190,935
Retained Earnings		24,782,541,350	27,813,339,916
Total Equity		**196,518,770,989**	**176,870,530,851**
Total Liabilities and Equity		**273,120,195,188**	**248,801,856,100**

The notes on pages 9 to 37 form part of these statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018
Income			
Business Income	20	37,330,911,584	33,750,117,569
Gains	21	28,200,250	11,825,201
Other Non-Operating Income	22	553,443,464	299,295,672
Total Income		**37,912,555,298**	**34,061,238,442**
Expenses			
Personnel Services	23	969,066,399	1,061,161,866
Maintenance and Other Operating Expenses	24	387,850,727	336,249,996
Deposit Claims Pay-out Expenses		1,241,238,669	1,718,792,672
Receivership and Liquidation Expenses		269,052,676	258,228,440
Financial Expenses	25	3,471,532,064	3,766,084,624
Non-Cash Expenses	26	22,924,365,177	20,494,378,016
Total Expenses		**29,263,105,712**	**27,634,895,614**
Net Income		**8,649,449,586**	**6,426,342,828**
Other Comprehensive Income for the Period		0	0
Total Comprehensive Income		**8,649,449,586**	**6,426,342,828**

The notes on pages 9 to 37 form part of these statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	Permanent Insurance Fund	Reserves for Insurance Losses	Retained Earnings	Total
BALANCE AT JANUARY 1, 2018		**3,000,000,000**	**114,004,494,372**	**30,173,901,629**	**147,178,396,001**
ADJUSTMENT:					
Add: Prior period adjustment	33		12,000,000,000	440,371,624	12,440,371,624
RESTATED BALANCE AT JANUARY 1, 2018		**3,000,000,000**	**126,004,494,372**	**30,614,273,253**	**159,618,767,625**
CHANGES IN EQUITY FOR 2018					
Add/(Deduct):					
Additional reserves for insurance losses	26		20,052,696,563		20,052,696,563
Net Income for the period				6,426,342,828	6,426,342,828
Declaration of cash dividends	28			(9,227,276,165)	(9,227,276,165)
RESTATED BALANCE AT DECEMBER 31, 2018		**3,000,000,000**	**146,057,190,935**	**27,813,339,916**	**176,870,530,851**
CHANGES IN EQUITY FOR 2019					
Add/(Deduct):					
Additional reserves for insurance losses	26		22,679,038,704		22,679,038,704
Net Income for the period				8,649,449,586	8,649,449,586
Declaration of cash dividends	28			(11,680,248,152)	(11,680,248,152)
BALANCE AT DECEMBER 31, 2019		**3,000,000,000**	**168,736,229,639**	**24,782,541,350**	**196,518,770,989**

The notes on pages 9 to 37 form part of these statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue		37,811,592,080	34,745,992,048
Collection of Receivables		467,759,889	337,487,121
		38,279,351,969	**35,083,479,169**
Cash Outflows			
Payment of Expenses		(1,354,206,417)	(1,393,438,290)
Payment of Insured Deposits		(1,229,283,700)	(1,729,060,159)
Grant of Cash Advances and Various Receivables		(24,232,922)	(38,350,821)
Payment of Accounts Payable		(218,540,702)	(178,382,945)
Grant of Financial Assistance		(677,884,947)	(456,398,934)
Payment of Receivership and Liquidation Expenses		(13,710,538)	(8,061,440)
Remittance of Taxes Withheld		(4,455,933)	(59,499)
		(3,522,315,159)	**(3,803,752,088)**
Net Cash Provided by Operating Activities		**34,757,036,810**	**31,279,727,081**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from Matured Investments		98,114,354,063	116,158,691,862
		98,114,354,063	**116,158,691,862**
Cash Outflows			
Purchase of Investments		(125,094,570,748)	(136,136,612,151)
Equipment		(34,696,795)	(33,050,005)
		(125,129,267,543)	**(136,169,662,156)**
Net Cash Used in Investing Activities		**(27,014,913,480)**	**(20,010,970,294)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows			
Proceeds from Long-term Liabilities to BSP		338,942,474	302,767,807
		338,942,474	**302,767,807**
Cash Outflows			
Payment of Cash Dividends		(10,582,799,524)	(8,844,298,768)
Payment of Long-term Liabilities to BSP		(12,705,628)	(12,844,259)
		(10,595,505,152)	**(8,857,143,027)**
Net Cash Used in Financing Activities		**(10,256,562,678)**	**(8,554,375,220)**
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(2,514,439,348)**	**2,714,381,567**
Effects of Exchange Rate Changes on Cash and Cash Equivalents		(15,427)	76,231
CASH AND CASH EQUIVALENTS, JANUARY 1		4,049,597,889	1,335,140,091
CASH AND CASH EQUIVALENTS, DECEMBER 31	3	**1,535,143,114**	**4,049,597,889**

The notes on pages 9 to 37 form part of these statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2019 and 2018

1. GENERAL INFORMATION

The Philippine Deposit Insurance Corporation (PDIC) or the "Corporation" is a government corporation established on June 22, 1963 with the passage of Republic Act No. 3591. The Corporation shall, as a basic policy, promote and safeguard the interests of the depositing public by way of providing permanent and continuing insurance coverage on all insured deposits. It shall also be the policy of the state to strengthen the mandatory deposit insurance coverage system to generate, preserve, maintain faith and confidence in the country's banking system, and protect it from illegal schemes and machinations. PDIC is likewise mandated by law to act as receiver/liquidator of closed banks. The PDIC collaborates with the BSP in promoting stability in the banking system and the economy as a whole.

The Corporation's principal office is located at the SSS Building, 6782 Ayala Avenue corner V.A. Rufino Street, Makati City.

As at December 31, 2019, PDIC's total manpower[1] complement stood at 542 (187 officers and 355 rank and file employees), 533 of whom are of permanent status and 9 are coterminous. Under the PDIC Charter, as amended by RA 10846, the President of the Corporation shall be appointed by the President of the Philippines for a term of six (6) years and shall also serve as Vice Chairman of the PDIC Board of Directors, of which four members are appointed by the President of the Philippines, also to serve for (6) years, and two are ex-officio, the Secretary of Finance and the Governor of the Bangko Sentral ng Pilipinas.

The financial statements were authorized for issuance by the Board of Directors on February 5, 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of financial statements preparation

The Corporation's financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Standing Interpretations Committee (SIC)/International Financial Reporting Interpretations Committee (IFRIC) interpretations which have been approved by the Financial Reporting Standards Council (FRSC).

The Corporation, as Receiver/Liquidator, is responsible for managing and disposing the assets of closed banks in an orderly and efficient manner. The receivership and liquidation transactions of closed banks are accounted in separate books of accounts to ensure that liquidation proceeds of closed banks assets, if any, are distributed

[1] *Excluding externally provided services by 330 personnel.*

properly to their respective creditors in accordance with applicable laws and regulations. Also, the income and expenses attributable to receivership/liquidation are accounted for as transactions of the closed banks, and expenses advanced by the Corporation are billed to the respective closed banks.

The financial statements have been prepared on a historical cost basis unless otherwise stated. The financial statements are presented in Philippine Peso which is also the country's functional currency. All values are rounded to the nearest peso unless otherwise stated.

2.2 Use of judgments and estimates

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

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

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

The Corporation classifies financial assets with fixed or determinable payments and fixed maturity as Investment Securities at Amortized Cost. This classification entails judgment in evaluating the intention of the Corporation and its ability to hold such investments to maturity. If the Corporation is no longer consistent with its business model to keep these investments to maturity or has sold government securities exceeding 10 per cent of total portfolio as of the end of the immediately preceding year, it will reassess its business model.

The carrying amount of investments as at December 31, 2019 and 2018 are disclosed in Note 4. There was no impairment loss recognized on investments in 2019 and 2018.

a. Impairment of financial assets

The Corporation recognizes impairment for expected credit loss (ECL) based on PFRS 9 on investments in debt instruments, loans and other receivables that are measured at amortized cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

The Corporation recognizes lifetime ECL on purchased or credit impaired loans acquired/received from banks under financial assistance or from closed banks in payment of receivables.

The carrying amount of the financial asset is reduced by the impairment loss for all financial assets, where the carrying amount is reduced through the use of an allowance account. When a receivable is considered uncollectible, it is written-off against the allowance account subject to required approval. Subsequent recoveries of amounts previously written off and changes in the carrying amount of the allowance account are recognized in profit and loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be traced objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

The carrying amount of loans and receivables as at December 31, 2019 and 2018 are disclosed in Note 6.

b. Impairment of non-financial assets

At each statement of financial position date, the Corporation assesses whether there is any indication that its non-financial assets may be impaired. When an indicator of impairment exists or when annual impairment testing for an asset is required, the Corporation makes an estimate of recoverable amount. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount.

The carrying amount of non-current assets held for sale, investment properties and property, plant and equipment as at December 31, 2019 and 2018 are disclosed in Notes 8, 9 and 10, respectively.

c. Estimated useful lives of property, plant and equipment

The Corporation uses the government-prescribed estimated useful lives of Property, Plant and Equipment account (Note 2.4e).

d. Contingencies

There may be pending cases where the Corporation is impleaded as party defendant. The estimate of possible adverse judgments of these cases will be based on the assessment of the strength of the defense of the Corporation or advisability of a compromise. The Corporation evaluates whether these legal cases will have material adverse effect on its financial position, thus may have material changes in the estimates in the future based on developments or events.

2.3 Changes in accounting policies and disclosures

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

2.3.1. New and amended standards and interpretations

The new amendment to existing Philippine Financial Reporting Standards (PFRS) which became effective for accounting period beginning on or after January 1, 2019 but has no impact on the accounting policies and financial statements' presentation and reporting of the Corporation.

- **PFRS 16, Leases (effective January 1, 2019)**

  Under PFRS 16, a contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  This Standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A right-of-use asset is recognized representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

  PFRS 16 does not apply to PDIC since as lessee, the contracts of lease on the rental of the PDIC office, warehouses and others have a lease term of less than 12 months or are of low value.

2.3.2. Issued PFRS but are not yet effective

The accounting standards issued but not yet effective up to date of issuance of the Corporation's financial statements consists of accounting standards and interpretations issued, which the Corporation reasonably expects to be applicable at a future date.

- **PAS 1 and PAS 8, Revised Conceptual Framework for PFRS (effective January 1, 2020)**

  The revised Conceptual Framework provides changes to the principles which have implications on how and when assets and liabilities are recognized and derecognized in the financial statements. Some of the concepts in the revised framework are entirely new – such as the 'practical ability' approach to liabilities.

Also included in the amendment is the clarification of the definition of ‘material’, aligning the definition used in the Conceptual Framework and the standards.
The Corporation will assess the financial and presentation impact of this new Standard to the Corporation's financial position and performance. The Corporation intends to adopt this standard if determined to be applicable, when it becomes effective.

2.4 Significant accounting policies

a. Financial assets

Initial recognition

Financial assets are recognized in the Corporation’s financial statements when the Corporation becomes a party to the contractual provisions of an instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the Corporation’s financial assets.

Debt instruments that meet the following conditions are subsequently measured at amortized cost less impairment loss, if any.

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flow; and

- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All recognized financial assets are subsequently measured in their entirety at amortized costs or fair value, depending on the classification of the financial assets.

Classification of financial assets

Financial Assets	Measurement Category
Cash and Cash Equivalents	Amortized Cost
Investment Securities at Amortized Costs	Amortized Cost
Fair Value through Other Comprehensive Income	FVTOCI
Receivables	Amortized Cost

Amortized cost and effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, when appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest income is recognized in profit and loss. Financial assets under this category include Investment Securities at Amortized Cost.

Fair Value through Other Comprehensive Income (FVTOCI)

On initial recognition, the Corporation can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit and loss on disposal of the investments but directly added or charged to retained earnings.

Derecognition of financial assets

The Corporation derecognizes a financial asset only when the contractual rights to the cash flows from asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Corporation neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Corporation retains substantially all the risks and rewards of ownership of a transferred financial asset, the Corporation continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit and loss.

On derecognition of financial asset that is classified as FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit and loss, but is charged to retained earnings.

b. Inventories

Inventories are measured at cost upon initial recognition and recognized as an expense when used for consumption in the ordinary course of operations or distributed to insured banks.

c. Assets held for sale

The Corporation is authorized to purchase the non-performing assets of an insured bank as a mode of financial assistance. Acquired assets also include those received from closed banks as payment for Subrogated Claims Receivables and Receivership and Liquidation Expenses. Acquired assets being held for sale and wherein sale is highly probable within a one-year period are classified in this account. These are booked at cost with periodic valuation for impairment.

d. Investment property

Included in this account are land or building, or part of a building, or both, held by the Corporation which are awaiting disposal including those under lease agreement. These are initially booked at cost and subsequently measured at cost net of allowance for impairment.

e. Property, plant and equipment

The Corporation's depreciable properties are stated at cost less accumulated depreciation and amortization. The initial cost of property and equipment consists of its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and intended use. Expenditures incurred after items of property and equipment have been put into operation, such as repairs and maintenance are charged against operations in the year in which the costs are incurred. When property and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization are removed from the accounts, and any resulting gain or loss is reflected as income or loss in the statement of comprehensive income. Depreciable assets below the capitalization threshold of ₱15,000 are recognized as expense.

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

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

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

f. Intangible assets

Intangible assets are stated in the financial statements at cost less accumulated amortization. They comprise software licenses, among others. The Corporation has adopted the straight-line amortization method for the intangible assets over five years.

g. Financial liabilities and Equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instrument.

The Notes Payable of PDIC is measured at amortized cost.

g.1 Financial liabilities

Initial recognition

Financial liabilities are initially recognized at fair value, being their issue proceeds, net of transaction costs incurred. Borrowing costs are recognized as expense in the year in which these costs are incurred.

Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not held-for-trading and are not designated as at fair value through profit or loss are measured at amortized cost at subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortized costs are determined based on the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid that form an integral part of the effective interest rate, transaction costs and other premiums or discounts through the expected life of the financial liability, or (when appropriate), a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Corporation derecognizes financial liabilities when the Corporation's obligation are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

g.2 Equity

Deposit insurance fund

The Deposit Insurance Fund (DIF) is the capital/equity account of the Corporation and consists of the following: (a) the permanent insurance fund; (b) reserves for insurance losses; and (c) retained earnings. The DIF shall be maintained at a reasonable level to ensure capital adequacy.

Permanent insurance fund

This is the total capital provided by the National Government (NG) by virtue of Republic Act No. 3591, as amended. The full capitalization from the NG of ₱3 billion was reached in 1994 with the conversion of the obligations of PDIC to the Central Bank of the Philippines in the amount of ₱977.787 million into equity of the National Government.

Reserves for insurance losses

PDIC sets aside reserves for insurance losses to build-up the Deposit Insurance Fund target ratio of 5.5% to 8% over the estimated insured deposits in the banking system.

Retained earnings

Refers to the cumulative income of the Corporation net of dividends declared to the NG and any prior year's adjustments.

h. Income recognition

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

Assessments

Assessment collections from member banks are recognized as income in the year these are received by the Corporation.

Member banks are assessed a maximum rate of one-fifth of one per cent per annum of the assessment base, which is the amount of liability of the bank for deposits as defined under subsection (a) of Section 7 of R.A. 3591, as amended. This shall in no case be less than ₱5,000 and collected on a semestral basis. The amount of assessment is based on the average of deposit liabilities as at the close of business on March 31 and June 30 for the first semester and as at the close of business on September 30 and December 31 for the second semester. Such assessments are payable by banks not later than July 31 of the current year and January 31 of the ensuing year for the first and second semesters, respectively. Failure or refusal by any member bank to pay any assessment due allows the Corporation to file a collection case against the bank and impose administrative sanctions against its officers who are responsible for non-payment. Late payment of assessment is likewise subject to interest and penalty.

Income from investments

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

Income from financial assistance

Interest on loans receivables on account of financial assistance is recognized applying the effective interest using the market rates at initial recognition, as applicable.

i. Dollar-denominated assets

Dollar-denominated assets are initially carried at the equivalent value using Bangko Sentral ng Pilipinas (BSP) reference rate at transaction date and revalued at the end of each month on the same basis.

j. Employee benefits

Provident fund

In accordance with Section 9 (11) of R.A. 3591, as amended, the Corporation has established a Provident Fund, which is a defined contribution plan consisting of contributions made both by its officers and employees and the Corporation. The Fund is administered by its Board of Trustees.

Retirement

GSIS retirement benefit under R.A. No. 8291 is available to any qualified employee who is at least 60 years old and with at least 15 years of government service at the time of retirement. R.A. No. 8291 likewise provides for separation benefits.

Separation Benefits

Voluntary or involuntarily separation of employees from service, including payment of separation benefits shall be in accordance with CSC, GSIS and COA rules and regulations and other applicable laws, rules and regulations.

Accrued leave pay

This represents the cash value of the accumulated vacation and sick leave credits of employees, 50 per cent of which can be monetized in accordance with CSC Omnibus Rules of Leave and applicable guidelines on monetization of leaves.

k. Operating lease

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

l. Financial assistance to banks

In accordance with Sec. 22 (e) of R.A. No. 3591, as amended, PDIC may grant financial assistance to a distressed member bank for its rehabilitation to prevent closure, provided such assistance is the least costly alternative. The alternative chosen must not cost more than the estimated cost of actual pay-out of the insured deposits of the bank and liquidation thereof. The financial assistance to a bank may be in the form of a loan, purchase of assets, assumption of liabilities, placements of deposits, equity or quasi-equity. The grant is upon such terms and conditions as the Board of Directors may prescribe when the grant of financial assistance is essential to provide adequate banking service in the community or maintain financial stability in the economy.

m. Provisions and contingencies

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are renewed at the end of reporting period and adjusted to reflect the current best estimate. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized but are disclosed in the financial statements when an inflow of economic benefits is probable.

n. Taxes

In accordance with Section 22 (c) of R.A. 3591, as amended, the Corporation shall be exempt from income tax, final withholding tax, value-added tax on assessments collected from member banks, and local taxes starting June 1, 2014. Incomes from other sources are still subject to value-added tax. Effective January 1, 2018, PDIC exemption from payment of VAT on assessments collected from member banks has been repealed under Section 86 (ee) of the Republic Act No. 10963 also known as the Tax Reform for Acceleration and Inclusion (TRAIN) Law. The VAT obligation under such Act shall be chargeable to the Tax Expenditure Fund (TEF) provided for in the annual General Appropriations Act.

o. Events after the reporting period

Post year-end events that provide additional information about the Corporation's position at the balance sheet date (adjusting event) are reflected in the financial statements. Post year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. CASH AND CASH EQUIVALENTS

This account includes the following:

	2019	2018
Cash on Hand	2,224,370	1,673,788
Cash in Bank – Local Currency	84,427,795	65,886,450
Cash in Bank – Foreign Currency	320,039	347,947
Cash Equivalents	1,448,170,910	3,981,689,704
	1,535,143,114	**4,049,597,889**

Cash on hand includes petty cash funds, checks and other cash items received after the close of banking hours on the last business day of the year.

Cash in bank consists of bank accounts for operating funds, pay-out funds, collections, emergency drawing accounts and BSP current account.

Cash equivalents refer to short term investments classified as cash equivalents having maturities of three months or less from the date of acquisition/ placement.

4. FINANCIAL ASSETS

This account includes the following:

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Investment Securities at Amortized Cost	23,668,900,519	181,321,383,482	204,990,284,001	4,792,748,761	176,009,174,694	180,801,923,455
Financial Assets at Fair Value Through Other Comprehensive Income - net	0	12,102,629,550	12,102,629,550	0	12,102,629,550	12,102,629,550
	23,668,900,519	**193,424,013,032**	**217,092,913,551**	**4,792,748,761**	**188,111,804,244**	**192,904,553,005**

In accordance with PFRS 9, investment balances are valued at amortized cost consistent with the business model adopted, which is to hold the financial assets to collect the contractual cash flows rather than to sell the instrument prior to its contractual maturity to realize its fair value changes.

Investment securities at amortized cost consist of special savings and time deposits, treasury bills, notes and bonds. Interest income from investment securities at amortized cost amounted to ₱11.392 billion and ₱9.692 billion in 2019 and 2018.

Financial assets at fair value through other comprehensive income (FAFVTOCI) consist of Preferred shares and Capital notes.

Preferred shares represent PDIC's subscription to the preferred shares of stock with par value of ₱100 and P10 per share issued by two rural banks on December 28, 2017 and September 24, 2018. The subscription to the banks' preferred shares, which are non-voting, cumulative and convertible to common shares, represents the equity component of the financial assistance granted under the Strengthening Program for Rural Bank Plus.

Capital notes represent PDIC's subscription to the Capital Notes issued by a commercial bank in the amount of ₱12 billion by way of conversion of the latter's outstanding obligations to PDIC on March 31, 2009. The Capital Notes have features consistent with BSP Circular No. 595-2008 on "Interim Tier I Capital for Banks Under Rehabilitation" and are in accordance with the conditions set forth in the Memorandum of Agreement executed for the commercial bank's rehabilitation on July 17 and 25, 2008, and a subsequent amendment thereto on November 21, 2008, and extended up to December 31, 2021. On May 10, 2019, the PDIC Board resolved to exercise its right to convert the Capital Notes into Special Preferred shares (SPS) of the bank at the conversion price. The SPS stock certificates were turned over to PDIC on July 9, 2020.

5. OTHER INVESTMENTS

This account includes:

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Sinking Fund	**14,447,013,190**	**34,576,459,798**	**49,023,472,988**	**3,747,682,948**	**43,319,924,401**	**47,067,607,349**

Sinking fund represents the balance of funds being accumulated to repay PDIC loans upon maturity, a portion of which is being managed by the BSP-Treasury Department.

6. RECEIVABLES

This account includes the following:

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Loans and Receivable-net	12,506,415	2,555,054,856	2,567,561,271	15,576,117	2,066,147,097	2,081,723,214
Inter-Agency Receivables-net	4,660,296	58,338,296	62,998,592	4,809,496	58,338,296	63,147,792
Other Receivables-net	32,192	0	32,192	136,304	549,729	686,033
	17,198,903	**2,613,393,152**	**2,630,592,055**	**20,521,917**	**2,125,035,122**	**2,145,557,039**

Loans and Receivable

This account includes the following:

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Notes Receivable	**2,978,675**	**1,951,673,084**	**1,954,651,759**	**2,738,898**	**1,454,021,860**	**1,456,760,758**
Subrogated Claims Receivable	0	64,866,996,330	64,866,996,330	0	63,920,662,233	63,920,662,233
Allowance for Impairment	0	(64,866,996,330)	(64,866,996,330)	0	(63,920,662,233)	(63,920,662,233)
Net Value	**0**	**0**	**0**	**0**	**0**	**0**
Assigned Loans Receivables	0	12,622,873,453	12,622,873,453	0	12,629,132,020	12,629,132,020
Allowance for Impairment	0	(12,029,781,687)	(12,029,781,687)	0	(12,030,897,114)	(12,030,897,114)
Net Value	**0**	**593,091,766**	**593,091,766**	**0**	**598,234,906**	**598,234,906**
Loans Receivable – Others	0	2,582,856,581	2,582,856,581	0	2,607,583,224	2,607,583,224
Allowance for Impairment	0	(2,578,262,700)	(2,578,262,700)	0	(2,602,989,342)	(2,602,989,342)
Net Value	**0**	**4,593,881**	**4,593,881**	**0**	**4,593,882**	**4,593,882**
Receivership and Liquidation Receivable	0	2,842,239,383	2,842,239,383	0	2,684,435,974	2,684,435,974
Allowance for Impairment	0	(2,842,239,383)	(2,684,435,974)	0	(2,684,435,974)	(2,684,435,974)
Net Value	**0**	**0**	**0**	**0**	**0**	**0**
Sales Contract Receivable	6,852,289	5,855,883	12,708,172	6,512,605	12,164,707	18,677,312
Allowance for Impairment	0	(159,758)	(159,758)	0	(2,868,258)	(2,868,258)
Net Value	**6,852,289**	**5,696,125**	**12,548,414**	**6,512,605**	**9,296,449**	**15,809,054**
Interest Receivable	2,675,451	0	2,675,451	6,324,614	0	6,324,614
Total	**12,506,415**	**2,555,054,856**	**2,567,561,271**	**15,576,117**	**2,066,147,097**	**2,081,723,214**

Notes receivable represent loans granted to one commercial bank and two rural banks, fully secured by government securities.

Subrogated claims receivable (SCR) arises from payment by the Corporation of insured deposits where the Corporation is subrogated to all rights of the depositor against a closed bank to the extent of such payment. Such subrogation includes the right on the part of the Corporation to receive the same payments and dividends from the proceeds of the assets of such closed bank and recoveries on account of stockholders' liability as would have been payable to the depositor on a claim for the insured deposits. However, such depositor shall retain his claim for any uninsured portion of his deposit.

Assigned loans receivables are non-performing loans acquired from banks as a mode of financial assistance and from closed banks in payment of receivables. Interest income is booked upon collection. No interest income is accrued on these loans owing to their past due status.

Loans receivable – others arises from financial assistance by way of non-interest bearing loans and liquidity assistance to four banks that subsequently closed. It also includes loans granted to two commercial banks pursuant to Section 22 (e) of R.A. 3591, as amended. As of December 31, 2019, delivery of transfer documents for the remaining balance is ongoing. No interest income is accrued on these loans owing to their past due status.

Receivership and liquidation receivable (RLR) pertains to expenses advanced by the Corporation in carrying out its mandate as receiver and liquidator of closed banks.

Sales contract receivable are receivables from installment sales of assets acquired from financially assisted banks and from closed banks in payment for subrogated deposits and advances for receivership and liquidation expenses.

Interest receivable pertains to interest accrued from short-term investments.

Inter-Agency Receivables

	2019			2018		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Bureau of Internal Revenue	0	885,730,142	885,730,142	0	885,730,142	885,730,142
National Government	0	58,338,296	58,338,296	0	58,338,296	58,338,296
DBM-Procurement Service	4,660,296	0	4,660,296	4,809,496	0	4,809,496
	4,660,296	944,068,438	948,728,734	4,809,496	944,068,438	948,877,934
Allowance for Impairment	0	(885,730,142)	(885,730,142)	0	(885,730,142)	(885,730,142)
	4,660,296	**58,338,296**	**62,998,592**	**4,809,496**	**58,338,296**	**63,147,792**

Inter-Agency Receivables are receivables from the following agencies:

Bureau of Internal Revenue represents creditable taxes withheld by withholding agents from assessment collections and interests on financial assistance, for refund by the BIR in accordance with the provisions of BIR RR 6-2010.

National Government represents the balance of the share of the NG in insured deposits paid in excess of ₱250,000 up to P500,000 in bank closures from June 1, 2009 to May 31, 2012 in accordance with the PDIC Charter.

DBM Procurement Service (DBM-PS) represents the revolving fund maintained for the DBM-PS facility used in the purchase of plane tickets for local travel.

Other receivables

This represents other receivables which includes the following:

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Due from Officers and Employees	15,201	5,779,344	5,794,545	75,877	6,060,742	6,136,619
Allowance for Impairment	0	(5,779,344)	(5,779,344)	0	(6,060,742)	(6,060,742)
Net Value	**15,201**	**0**	**15,201**	**75,877**	**0**	**75,877**
Receivables-Disallowance and Charges	0	92,028	92,028	0	92,028	92,028
Allowance for Impairment	0	(92,028)	(92,028)	0	(92,028)	(92,028)
Net Value	**0**	**0**	**0**	**0**	**0**	**0**
Other Receivables	16,991	4,491,351	4,508,342	60,427	11,591,427	11,651,854
Allowance for Impairment	0	(4,491,351)	(4,491,351)	0	(11,041,698)	(11,041,698)
Net Value	**16,991**	**0**	**16,991**	**60,427**	**549,729**	**610,156**
Total	**32,192**	**0**	**32,192**	**136,304**	**549,729**	**686,033**

Aging/Analysis of Receivables

As at December 31, 2019

			Past Due		
Accounts	Gross Amount	Not Past Due	< 30 days	30-60 days	>60 days
Notes Receivable	1,954,651,759	2,978,675	0	0	1,951,673,084
Subrogated Claims Receivables	64,866,996,330	0	0	0	64,866,996,330
Assigned Loans Receivables	12,622,873,453	0	0	0	12,622,873,453
Loans Receivable - Others	2,582,856,581	0	0	0	2,582,856,581
Receivership and Liquidation Receivable	2,842,239,383	0	0	0	2,842,239,383
Sales Contract Receivables	12,708,172	6,852,289	0	0	5,855,883
Interest Receivable	2,675,451	2,675,451	0	0	0
Inter-Agency Receivables	948,728,734	4,660,296	0	0	944,068,438
Other Receivables	10,394,915	19,374	0	12,818	10,362,723
	85,844,124,778	**17,186,085**	**0**	**12,818**	**85,826,925,875**

7. INVENTORIES

	2019	2018
Inventory Held for Sale		
Balance, January 1	0	54,944
Additions/Acquisitions during the year	0	119,398
Sold during the year	0	(174,342)
Balance, December 31	**0**	**0**
Inventory Held for Consumption		
Balance, January 1	161,133	539,467
Additions/Acquisitions during the year	9,622,965	7,062,292
Expensed during the year	(9,610,941)	(7,440,626)
Balance, December 31	**173,157**	**161,133**

Inventory held for consumption refers to office supplies and materials of the Corporation including decals and standees for distribution to insured bank.

8. ASSETS HELD FOR SALE

This account includes the following:

	2019	2018
Carrying Amount, January 1	44,458,783	53,510,751
Addition/Acquisition	0	0
Transfers	0	(181,053)
Total	44,458,783	53,329,698
Disposals	(2,749,245)	(8,892,153)
Impairment Loss	383,070	0
Reclassification	(42,092,608)	21,238
Carrying Amount, December 31	**0**	**44,458,783**
Gross Cost	0	46,278,291
Accumulated Impairment Loss	0	(1,819,508)
Carrying Amount, December 31	**0**	**44,458,783**

These represent real and other properties acquired from financially assisted banks and those assigned by closed banks in payment for subrogated deposits and advances for receivership and liquidation expenses intended to be sold or disposed within a year, if any.

9. INVESTMENT PROPERTY

This account includes the following:

	2019	2018
Carrying Amount, January 1	1,742,190,599	1,297,877,509
Addition/Acquisition	51,897,000	236,363,093
Transfers/Reversals	(831,391)	269,315,588
Total	1,793,256,208	1,803,556,190
Disposals	(11,947,380)	(11,050,095)
Impairment Loss	0	0
Reclassification	44,034,968	(50,315,496)
Carrying Amount, December 31	**1,825,343,796**	**1,742,190,599**
Gross Cost	2,580,327,895	2,496,862,239
Accumulated Impairment Loss	(754,984,099)	(754,671,640)
Carrying Amount, December 31	**1,825,343,796**	**1,742,190,599**

These are real and other properties acquired from financially assisted banks and assigned by closed banks in payment for subrogated deposits and advances for receivership and liquidation expenses for continuing sale/disposal. Twenty-three (23) properties with a book value of ₱240,400,434.71 have been requested for replacement from one of the financially assisted banks.

10. PROPERTY, PLANT AND EQUIPMENT

This account includes the following:

			2019				
Particulars	**Land**	**Buildings**	**Construction in Progress-Buildings and Other Structures**	**Furniture, Fixtures, Equipment**	**Transportation Equipment**	**Leased Assets Improvements, Buildings**	**Total**
Cost							
At January 1, 2019	26,206,018	145,317,082	29,315,285	166,219,637	34,646,559	807,693	402,512,274
Additions	0	0	2,414,420	2,164,419	0	56,459	4,635,298
Disposals/adjustments	0	0	0	(11,278,922)	(6,614,600)	(0)	(17,893,522)
At December 31, 2019	**26,206,018**	**145,317,082**	**31,729,705**	**157,105,134**	**28,031,959**	**864,152**	**389,254,050**
Accumulated Depreciation							
At January 1, 2019	0	116,997,349	0	93,771,966	21,352,233	692,308	232,813,856
Depreciation/Amortization	0	3,472,402	0	14,458,540	2,468,617	124,794	20,524,353
Disposals/adjustments	0	0	0	(10,099,000)	(5,953,140)	(0)	(16,052,140)
At December 31, 2019	**0**	**120,469,751**	**0**	**98,131,506**	**17,867,710**	**817,102**	**237,286,069**
Net book value At December 31, 2019	**26,206,018**	**24,847,331**	**31,729,705**	**58,973,628**	**10,164,249**	**47,050**	**151,967,981**

			2018				
Particulars	**Land**	**Buildings**	**Construction in Progress-Buildings and Other Structures**	**Furniture, Fixtures, Equipment**	**Transportation Equipment**	**Leased Assets Improvements, Buildings**	**Total**
Cost							
At January 1, 2018	26,206,018	145,317,082	9,316,398	130,861,788	40,591,559	807,693	353,100,538
Additions	0	0	19,998,887	39,783,344	0	0	59,782,231
Disposals/adjustments	0	0	0	(4,425,495)	(5,945,000)	(0)	(10,370,495)
At December 31, 2018	**26,206,018**	**145,317,082**	**29,315,285**	**166,219,637**	**34,646,559**	**807,693**	**402,512,274**
Accumulated Depreciation							
At January 1, 2018	0	113,524,947	0	86,645,130	24,234,117	0	224,404,194
Depreciation/Amortization	0	3,472,402	0	9,859,485	2,468,616	692,308	16,492,811
Disposals/adjustments	0	0	0	(2,732,649)	(5,350,500)	(0)	(8,083,149)
At December 31, 2018	**0**	**116,997,349**	**0**	**93,771,966**	**21,352,233**	**692,308**	**232,813,856**
Net book value At December 31, 2018	**26,206,018**	**28,319,733**	**29,315,285**	**72,447,671**	**13,294,326**	**115,385**	**169,698,418**

This account includes Corporate property located at Chino Roces Avenue, Makati City, with appraised value of ₱550 million for the land and ₱53.796 million for the building totaling ₱603.796 million.

11. INTANGIBLE ASSETS

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

	2019	2018
Carrying Amount, January 1	15,871,445	21,697,856
Addition – Internally Developed	0	0
Addition – Purchased	2,452,687	3,151,313
Total	18,324,132	24,849,169
Amortization	(7,320,782)	(8,977,724)
Impairment Loss	0	0
Carrying Amount, December 31	**11,003,350**	**15,871,445**
Gross Cost	133,002,948	130,550,261
Accumulated Amortization	(121,999,598)	(114,678,816)
Carrying Amount, December 31	**11,003,350**	**15,871,445**

12. OTHER ASSETS

This account includes the following:

	2019			2018		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Restricted Fund	310,189,701	6,787,822	316,977,523	295,963,465	512,729	296,476,194
Prepayments	65,437,973	171,676,201	237,114,174	36,415,298	138,320,203	174,735,501
Deposits	0	28,704,381	28,704,381	0	22,368,494	22,368,494
Other Assets	806,899	1,444,746,817	1,445,553,716	177,862	1,474,518,019	1,474,695,881
Accumulated Impairment-Other Assets	0	(1,178,764,598)	(1,178,764,598)	0	(1,306,115,630)	(1,306,115,630)
	376,434,573	**473,150,623**	**849,585,196**	**332,556,625**	**329,603,815**	**662,160,440**

Restricted Fund represents the Legal Liability Indemnification Fund held in trust by LBP to finance legal expenses for possible cases against employees and directors of the Corporation in the performance of their duties.

Prepayments include various expenses paid in advance i.e., mobilization fees, fidelity bond premiums, insurance, membership dues, repair and maintenance services and subscriptions to be charged in future periods and creditable input tax.

Deposits include miscellaneous assets such as subscriber’s investments and deposits with utility companies (SSS, LRA, MERALCO, PLDT, Petron Corp., etc.).

Other Assets represent unserviceable assets for disposal, various assets acquired from financially assisted and closed banks such as chattels, paintings, stocks and club shares, etc. and receivables from the PDIC Provident Fund for advances by the Corporation for the car plan of officers.

13. FINANCIAL LIABILITIES

This account includes the following:

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Notes Payable	20,948,172,885	50,736,842,688	71,685,015,573	29,884,931	68,059,164,893	68,089,049,824
Insured Deposit Claims Payable	183,118,541	0	183,118,541	171,186,703	0	171,186,703
Accounts Payable	75,470,677	0	75,470,677	63,667,307	0	63,667,307
Due to Officers and Employees	44,133,333	0	44,133,333	92,364,412	0	92,364,412
	21,250,895,436	**50,736,842,688**	**71,987,738,124**	**357,103,353**	**68,059,164,893**	**68,416,268,246**

Notes Payable represents outstanding loans and interest payable to the Bangko Sentral ng Pilipinas which were utilized to fund financial assistance to operating or acquirer banks in accordance with Section 22 of R.A. 3591, as amended.

The above balances do not include the amount of principal and interest of ₱1.44 billion and ₱1.27 billion, respectively, claimed by BSP due to an issue on the interpretation of Section 1.02 in relation to Sec. 1.05 of the Loan Agreement between BSP and PDIC dated November 21, 2002. Under Section 1.02 of the Loan Agreement, an interest rate of two per cent lower than the interest charged to the underlying government loan accounts assigned by way of dacion to PDIC, shall be paid at the end of the following month after receipt of payment. Section 1.05 of the Loan Agreement also provides that the repayment of the BSP loan shall be sourced from collections from the underlying government loan accounts, among others. Interest charges on the BSP funding are only recognized and remitted to BSP upon actual collection from the underlying government loan accounts. The matter was elevated by BSP to the Department of Justice (DOJ) for resolution and adjudication and on October 23, 2019, DOJ issued a resolution resolving the issues presented. The PDIC filed on November 8, 2019 its Notice of Appeal with the Office of the President of the Philippines of the DOJ Resolution dated October 23, 2019.

Insured Deposit Claims Payable represents balance of validated insured deposits but unclaimed by concerned depositors.

Accounts Payable refers to the amount due to various suppliers/creditors and payable to the PDIC Provident Fund (PF) representing corporate and employees' contributions and loan amortizations deducted from salaries of employees for remittance in the following month to PF.

Due to Officers and Employees are composed of employees' unpaid salaries and benefits such as loyalty pay, overtime, performance incentive, rice benefit and tax refunds to be paid in the succeeding year.

14. INTER-AGENCY PAYABLES

This account consists of the following:

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Due to BIR	21,563,830	0	21,563,830	27,452,990	0	27,452,990
Due to GSIS	10,244,399	0	10,244,399	10,470,831	0	10,470,831
Due to Philhealth	658,490	0	658,490	586,172	0	586,172
Due to Pag-IBIG	265,218	0	265,218	267,232	0	267,232
	32,731,937	**0**	**32,731,937**	**38,777,225**	**0**	**38,777,225**

Due to Bureau of Internal Revenue (BIR) represents taxes withheld on compensation, professional fees, rental, contractors, suppliers, fringe benefits taxes and other taxes for remittance to BIR in the following month.

Due to Government Service Insurance System (GSIS) represents corporate and employees' contributions and loan payments deducted from salaries of employees for remittance to GSIS in the following month.

Due to Philhealth represents corporate and employees contributions for remittance to the Philippine Health Insurance Corporation in the following month.

Due to Pag-IBIG represents corporate and employees contributions and loan payments deducted from salaries of employees for remittance to Home Development Mutual Fund in the following month.

15. TRUST LIABILITIES

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Guarantee/Security Deposits Payable	1,387,977	4,027,068	5,415,045	2,148,385	2,532,256	4,680,641
Customers' Deposits Payable	2,567,405	56,000	2,623,405	1,872,518	0	1,872,518
	3,955,382	**4,083,068**	**8,038,450**	**4,020,903**	**2,532,256**	**6,553,159**

This account includes security, guarantee deposits and bidders' performance bond payable.

16. UNEARNED INCOME

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Unearned Income	2,365,873	1,114,519	3,480,392	2,564,953	2,997,521	5,562,474

This account represents unearned income on sale of acquired assets on installment basis.

17. PROVISIONS

This account represents accrual of money value of the earned leave credits of PDIC personnel payable upon monetization, retirement or resignation.

18. DEFERRED TAX LIABILITIES

This account represents output tax on sale of real properties on installment plan.

19. OTHER PAYABLES

This account consists of the following:

	2019			2018		
	Current	Non-current	Total	Current	Non-current	Total
Dividends Payable	4,324,724,793	0	4,324,724,793	3,227,276,165	0	3,227,276,165
Other Payables	3,765,496	0	3,765,496	2,305,126	0	2,305,126
	4,328,490,289	**0**	**4,328,490,289**	**3,229,581,291**	**0**	**3,229,581,291**

Dividends Payable represents dividends due to NG for 2019 income for remittance on the first quarter of the following year.

Other Payables include overpayment by banks which are creditable to subsequent assessment periods.

20. BUSINESS INCOME

	2019	2018
Assessment Income	25,380,900,767	23,594,390,250
Interest Income	11,663,892,339	9,899,346,659
Dividend Income	20,475,493	1,391,966
Rent/Lease Income	4,107,053	3,370,309
Fines and Penalties-Business Income	3,086,932	398,451
Sales Revenue	0	9,034
Other Business Income	258,449,000	251,210,900
	37,330,911,584	**33,750,117,569**

21. GAINS

	2019	2018
Gain on Sale of Investment Property	15,076,642	11,639,739
Gain on Foreign Exchange (FOREX)	0	185,462
Other Gains	13,123,608	0
	28,200,250	**11,825,201**

22. OTHER NON-OPERATING INCOME

	2019	2018
Reversal of Impairment Loss	551,794,144	298,557,930
Miscellaneous Income	1,649,320	737,742
	553,443,464	**299,295,672**

23. PERSONNEL SERVICES

	2019	2018
Salaries and Wages	439,360,805	454,227,806
Personnel Benefit Contributions	255,352,080	264,126,473
Other Compensation	222,075,303	286,859,691
Other Personnel Benefits	52,278,211	55,947,896
	969,066,399	**1,061,161,866**

23.1 Personnel Benefit Contributions

	2019	2018
Provident/Welfare Fund Contributions	197,713,035	204,345,120
Retirement and Life Insurance Premiums	52,894,827	54,824,088
PhilHealth Contributions	3,421,118	3,552,865
Pag-IBIG Contributions	661,800	702,100
Employees Compensation Insurance Premiums	661,300	702,300
	255,352,080	**264,126,473**

23.2 Other Compensation

	2019	2018
Year-end Bonus	81,871,877	102,452,589
Productivity Incentive Allowances	23,428,651	49,423,976
Representation Allowance	15,365,250	16,420,375
Transportation Allowance	15,024,665	16,081,831
Overtime and Night Differential	5,752,477	5,475,396
Personnel Economic Relief Allowance	3,282,345	3,472,091
Clothing/Uniform Allowance	3,046,382	3,453,067
Longevity Pay	2,198,140	2,248,262
Other Bonuses and Allowances	72,105,516	87,832,104
	222,075,303	**286,859,691**

23.3 Other Personnel Benefits

	2019	2018
Terminal Leave Benefits	26,979,402	29,076,416
Other Personnel Benefits	25,298,809	26,871,480
	52,278,211	**55,947,896**

24. MAINTENANCE AND OTHER OPERATING EXPENSES

	2019	2018
Utility Expenses	53,475,390	53,597,073
Professional Services	52,653,794	40,556,756
General Services	35,223,143	31,800,490
Travel Expenses	23,878,995	24,433,769

	2019	2018
Supplies and Materials Expenses	13,205,486	15,643,686
Repairs and Maintenance	10,283,308	6,545,959
Confidential, Intelligence and Extraordinary	8,266,813	7,367,492
Taxes, Insurance Premiums and Other Fees	8,222,043	3,929,371
Training Expenses	5,646,724	4,926,183
Communication Expenses	5,195,579	6,353,396
Other Maintenance and Operating Expenses	171,799,452	141,095,821
	387,850,727	**336,249,996**

24.1 Utility Expenses

	2019	2018
Electricity Expenses	48,068,061	48,573,392
Water Expenses	5,407,329	5,023,681
	53,475,390	**53,597,073**

24.2 Professional Services

	2019	2018
Auditing Services	16,582,155	8,986,553
Consultancy Services	6,272,699	1,790,185
Other Professional Services	29,798,940	29,780,018
	52,653,794	**40,556,756**

24.3 General Services

	2019	2018
Security Services	22,976,302	19,696,603
Janitorial Services	11,180,325	11,043,010
Other General Services	1,066,516	1,060,877
	35,223,143	**31,800,490**

24.4 Travel Expenses

	2019	2018
Travel Expenses – Local	18,558,330	17,262,985
Travel Expenses – Foreign	5,320,665	7,170,784
	23,878,995	**24,433,769**

24.5 Supplies and Materials Expenses

	2019	2018
Office Supplies Expenses	8,921,561	7,440,626
Semi-Expendable Machinery and Equipment	1,810,225	4,781,848
Fuel, Oil and Lubricants Expenses	1,279,645	1,456,000
Other Supplies and Materials	689,379	608,107
Drugs and Medicines Expenses	267,252	209,598

	2019	2018
Semi-Expendable Furniture, Fixtures and Books	123,183	1,079,075
Accountable Forms Expenses	78,000	0
Medical, Dental and Laboratory Supplies	36,241	68,432
	13,205,486	**15,643,686**

24.6 Repairs and Maintenance

	2019	2018
Machinery and Equipment	9,112,830	4,938,928
Transportation Equipment	417,809	616,301
Buildings and Other Structures	385,066	69,268
Leased Assets Improvements-Buildings	359,433	678,862
Furniture and Fixtures	8,170	803
Semi-Expendable Equipment	0	241,797
	10,283,308	**6,545,959**

24.7 Taxes, Insurance Premiums and Other Fees

	2019	2018
Taxes, Duties and Licenses	4,457,836	57,349
Fidelity Bond Premiums	2,482,767	2,334,781
Insurance Expenses	1,281,440	1,537,241
	8,222,043	**3,929,371**

24.8 Communication Expenses

	2019	2018
Telephone Expenses	2,567,202	3,521,250
Postage and Courier Services	1,849,968	1,574,456
Internet Subscription Expenses	778,409	1,257,690
	5,195,579	**6,353,396**

24.9 Other Maintenance and Operating Expenses

	2019	2018
Rent/Lease Expenses	115,801,068	103,692,413
Directors and Committee Members' Fees	11,311,825	7,043,674
Litigation/Acquired Assets Expenses	9,614,032	15,981,884
Printing and Publication Expenses	5,028,605	809,046
Subscription Expenses	4,697,928	4,803,058
Advertising, Promotional and Marketing	1,548,337	1,796,129
Membership Dues and Contributions to Organization	1,155,174	995,905
Donations	39,072	0
Documentary Stamps Expenses	0	359,589
Other Maintenance and Operating Expenses	22,603,411	5,614,123
	171,799,452	**141,095,821**

25. FINANCIAL EXPENSES

	2019	2018
Interest Expenses	3,465,702,191	3,760,899,480
Management Supervision/Trusteeship Fees	306,679	287,309
Bank Charges	174,837	82,621
Other Financial Charges	5,348,357	4,815,214
	3,471,532,064	**3,766,084,624**

26. NON-CASH EXPENSES

	2019	2018
Provision for Insurance Losses	22,679,048,704	20,052,696,563
Depreciation	20,524,353	16,492,811
Amortization – Intangible Assets	7,320,782	8,977,723
Impairment Loss	11,138	351,135,751
Losses	217,470,200	65,075,168
	22,924,375,177	**20,494,378,016**

26.1 Losses

	2019	2018
Loss on Foreign Exchange (FOREX)	132,281	0
Loss on Sale/Redemption/Transfer of Investments	0	21
Other Losses	217,337,919	65,075,147
	217,470,200	**65,075,168**

27. TAXES

The Corporation is exempt from income tax, final withholding tax, value added tax on assessments and local taxes pursuant to Section 22 c of R.A. 3591, as amended. R.A. 10963 or the TRAIN law became effective on January 1, 2018 where PDIC is no longer exempt from the payment of VAT on assessment collections but provides that such VAT obligations shall be charged against the TEF of the NG.

In compliance with the requirements of the Bureau of Internal Revenue (BIR) in Revenue Regulation No. 15-2010, hereunder are the information on the taxes, duties and license fees paid in 2019 and 2018:

	2019	2018
Withholding Taxes:		
On Compensation and Benefits	114,864,657	106,967,061
Creditable Withholding Taxes	49,846,416	48,653,405
Final Withholding Taxes	368,180	362,049
Value Added Tax (VAT)	3,029,469,128	2,829,201,817
Documentary Stamp	0	359,589
BIR Annual Registration Fee	500	500
	3,194,548,881	**2,985,544,421**

28. DIVIDENDS TO THE NG

Dividends to the National Government amounted to ₱4.325 billion and ₱3.227 billion, representing 50 per cent of net income from other sources in 2019 and 2018, respectively.

The Corporation is in the process of resolving the dividend assessment issue of the DOF on PDIC particularly on the allowable deductions from the income subject to dividends. A Memorandum of Agreement (MOA) dated December 21, 2017 was executed between PDIC and DOF where the settlement amount was agreed at ₱23.8 billion. Remittances totaling P16.8 billion has been made on December 22, 2017, December 14, 2018 and December 13, 2019. This is subject to the referral to the Department of Justice (DOJ) for opinion/resolution of the issue with regard to the basis of the dividends due to the NG, in view of the differences of the parties on the proper application and interpretation of the Dividend Law and the relevant provisions in the PDIC Charter.

29. LEASES

The Corporation leased the premises of the Social Security System at Ayala Avenue, Makati City which serves as PDIC's principal office for ₱111.61 million and ₱ 99.84 million as at December 31, 2019 and 2018, respectively**.** The lease is renewable under certain terms and conditions.

30. CONTINGENT LIABILITIES AND OTHER MATTERS

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

Claims for deposit insurance

Twenty (20) cases were filed against the Corporation for payment of deposit insurance in the estimated amount of ₱30.927 million.

Cases subject matter of which are incapable of pecuniary estimation

There are ten (10) cases where the Corporation was impleaded as a respondent or defendant, subject matter of which is incapable of pecuniary estimation. These involve acts of the Corporation in its capacity as Receiver/Liquidator.

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

30.2 Estimated insured deposits (EID)

As at December 31, 2019, total insured deposits up to the ₱500,000 maximum deposit insurance coverage amounted to ₱2.72 trillion[2], representing 70.50 million accounts. This is equivalent to 20.75 per cent of the total deposits of ₱13.10 trillion in the banking industry.

[2] *Based on EID as of September 30, 2019, net of EID of banks closed/merged from October to December 2019*

30.3 Banks under receivership and liquidation

After the PDIC Board approved the Reports of Termination of Liquidation of the Assets and Winding-up Operation of the Affairs of 324 closed banks, remaining banks under liquidation by PDIC as of December 31, 2019 stood at 375 closed banks, including the 11 banks closed in 2019. Based on available financial statements, the total estimated realizable value of assets (ERVA) and liabilities of 366 closed banks, excluding nine (9) banks closed in 2019, amounted to ₱40.14 billion and ₱139.24 billion, respectively. As of December 31, 2018, there were 376 closed banks of which, 368 (excludes eight (8) banks closed in later part of 2018) have ERVA of P36.31 billion and liabilities of P137.20 billion based on their latest available financial statements.

31. RELATED PARTY TRANSACTION

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

32. FINANCIAL RISK AND CAPITAL MANAGEMENT

Financial Risk Factors

The Corporation is exposed to a variety of financial risks such as market risk, credit risk, and liquidity risk.

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

Market risk

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

Credit risk

Credit risk to the Corporation is the risk that the loans granted to operating banks needing financial assistance will not be paid or collected when due, and when investing activities are not prudently exercised to consider risk/reward relationships of market factors and established parameters.

PDIC exercises prudence in the grant of financial assistance based on the provisions of its Charter and its exposures to credit risks cognizant of its mandate to safeguard the interest of the depositing public and contribute to the promotion of financial stability. This is managed through periodic examination of assisted banks and monitoring of the covenants in the loan agreements. The Corporation likewise mitigates such risk through the collateral requirements as part of its sources of payment.

Moreover, the Corporation is allowed to invest only in obligations of the Republic of the Philippines (ROP) or in obligations guaranteed as to principal and interest by the ROP.

The table below provides the analysis of the maximum exposure to credit risk of the Corporation's Notes Receivables before and after taking into account collateral held or other credit enhancements:

	Maximum Exposure	Fair value of collateral or credit enhancement	Net Exposure
	2019		
Notes Receivable	1,954,651,759	1,954,651,759	0
	2018		
Notes Receivable	1,456,760,758	1,267,551,029	189,209,729

Liquidity risk

The liquidity risk is the adverse situation when the Corporation encounters difficulty in meeting unconditionally the settlement of insurance calls and its obligations at maturity. Prudent liquidity management requires that liquidity risks are identified, measured, monitored and controlled in a comprehensive and timely manner. Liquidity management is a major component of the corporate-wide risk management system. Liquidity planning takes into consideration various possible changes in economic, market, political, regulatory and other external factors that may affect the liquidity position of Corporation.

The liquidity management policy of the Corporation is conservative in maintaining optimal liquid cash funds to ensure capability to adequately finance its mandated activities and other operational requirements at all times. The Corporation's funding requirements is generally met through any or a combination of financial modes allowed in the PDIC Charter that would give the most advantageous results. Senior management is actively involved in the Asset Liability Committee headed by the President and CEO with most of the Executive Committee as members.

The Corporation is authorized to borrow from the BSP and from designated depository or fiscal agent of the Philippine Government for insurance and financial assistance purposes.

The table below summarizes the maturity profile of the Corporation's financial liabilities as at December 31, 2019 and 2018.

	On Demand	Up to 3 months	> 3 up to 12 months	> 1 up to 5 years
As at December 31, 2019				
Accounts Payable and Due to Officers and Employees	119,604,010	0	0	0
Insured Deposit Claims Payable	183,118,541	0	0	0
Notes Payable	5,921,991	0	20,942,250,894	50,040,100,680
	308,644,542	**0**	**20,942,250,894**	**50,040,100,680**
As at December 31, 2018				
Accounts Payable and Due to Officers and Employees	156,031,719	0	0	0
Insured Deposit Claims Payable	171,186,703	0	0	0
Notes Payable	29,884,931	0	0	67,686,375,548
	357,103,353	0	0	67,686,375,548

	> 5 up to 10 years	> 10 up to 20 years	Over 20 years	Total
As at December 31, 2019				
Accounts Payable and Due to Officers and Employees		0	0	119,604,010
Insured Deposit Claims Payable		0	0	183,118,541
Notes Payable	292,158,840	285,003,230	119,579,938	71,685,015,573
	292,158,840	**285,003,230**	**119,579,938**	**71,987,738,124**
As at December 31, 2018				
Accounts Payable and Due to Officers and Employees		0	0	156,031,719
Insured Deposit Claims Payable		0	0	171,186,703
Notes Payable	260,290,629	0	112,498,716	68,089,049,824
	260,290,629	**0**	**112,498,716**	**68,416,268,246**

Capital Management

PDIC aims to maintain its Deposit Insurance Fund (DIF) to Estimated Insured Deposits (EID) ratio of at least five and one half per cent to eight percent (5.5% - 8%) which the Corporation's Board of Directors adopted as a measure of capital adequacy since 2017.

The target ratio represents the ability of the Corporation to cover anticipated and unanticipated risks in the banking system to enable it to promptly respond to possible insurance calls and financial assistance to banks, as may be warranted, towards maintaining the faith and confidence in the Country's banking system.

As of December 31, 2019, DIF/EID ratio stood at 6.9% with DIF at ₱196.519 billion over estimated EID at ₱2,851.45 billion.

33. RESTATEMENT OF 2018 FINANCIAL STATEMENTS

The beginning balance of retained earnings in 2018 was restated for ₱ 440.37 million prior period adjustments for reversal of impairment losses on various receivables amounting to ₱445.19 million in accordance with the framework on PFRS 9 on Impairment – Expected Credit Losses net of ₱ 4.82 million adjustment of the book value and impairment losses of other acquired assets. The adjustments increased the net book value of various receivables and non-current assets accounts by the same amount in 2018. Likewise, beginning balance of reserves for insurance losses was restated for additional reserves of P12 billion from the reversal of allowance for impairment losses on the Capital Notes under the FAFVTOCI (Note 4).