REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

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, 2022 and 2021, 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, 2022 and 2021, 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 Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. 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 11 to the financial statements which disclosed that Notes Payable to the Bangko Sentral ng Pilipinas (BSP) did not include the principal amount of P1.440 billion and interest of P1.433 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. An Appeal Memorandum dated December 9, 2019 was further filed for the DOJ Resolution to be set aside and that the source for the repayment of its loan obligation to BSP be held exclusively limited to those provided for under Section 1.05 of the Loan Agreement. These appeals are awaiting final resolution by the Office of the President and the DOJ. The BSP filed its Comment dated January 17, 2020 declaring the Section 1.05 of the Loan Agreement dated November 21, 2002 is not an Exclusive List; dismissing the appeal of Respondent; and upholding the Resolution dated October 23, 2019 of the Secretary of Justice. 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 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.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PDIC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the PDIC to cease to continue as a going concern.

- 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 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 24 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 supplementary information is the responsibility of the management of PDIC and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

MARIA LUZ G. VENTURA
State Auditor IV
OIC-Supervising Auditor

18 May 2023

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the Philippine Deposit Insurance Corporation (PDIC) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended 31 December 2022 and 31 December 2021, in accordance with the Republic Act (RA) No. 3591, as amended (PDIC Charter) and applicable Philippine Financial Reporting Standards and Philippine Accounting Standards, as aligned with the International Financial Reporting Standards and International Accounting Standards, 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.

The Comptrollership Group is responsible for overseeing the PDIC's financial reporting process.

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 International Standards of Supreme Audit Institutions, and its report to the Board of Directors, has expressed its opinion on the fairness of presentation upon completion of such audit.

EVANGELINE R. PANTALUNAN
Vice President
Comptrollership Group

SANDRA A. DIAZ
Senior Vice President
Management Services Sector

ROBERTO B. TAN
President and CEO

Date MAY 16 2023

PHILIPPINE DEPOSIT INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	Restated 2021
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	8,608,055,763	275,868,522
Investments	4	43,139,302,081	86,327,362,456
Receivables	5	64,355,497	355,021,094
Inventories	6	2,434,821	1,592,285
Other Current Assets	10	385,684,026	512,955,062
		52,199,832,188	**87,472,799,419**
Non-Current Assets			
Investments	4	248,193,020,323	214,807,376,042
Receivables	5	1,326,191,002	1,216,517,871
Investment Property	7	1,558,611,471	1,636,420,254
Property, Plant and Equipment	8	372,187,285	300,455,778
Intangible Assets	9	36,648,085	21,367,275
Other Non-Current Assets	10	362,626,228	363,160,992
		251,849,284,394	**218,345,298,212**
Total Assets		**304,049,116,582**	**305,818,097,631**
LIABILITIES			
Current Liabilities			
Financial Liabilities	11	20,950,490,249	54,104,842,384
Inter-Agency Payables	12	37,310,927	36,738,197
Trust Liabilities	13	12,155,977	8,644,531
Unearned Income	14	42,354,122	495,605
Other Payables	16	7,047,475,897	6,571,191,770
		28,089,787,172	**60,721,912,487**
Non-Current Liabilities			
Financial Liabilities	11	1,990,478,242	1,998,419,777
Trust Liabilities	13	19,947,188	16,072,284
Unearned Income	14	68,374,066	35,900
Provisions	15	288,989,810	283,693,300
		2,367,789,306	**2,298,221,261**
Total Liabilities		**30,457,576,478**	**63,020,133,748**
EQUITY			
Government Equity (Permanent Insurance Fund)		3,000,000,000	3,000,000,000
Reserves for Insurance Losses		246,200,836,931	222,158,964,130
Retained Earnings		24,390,703,173	17,638,999,753
Total Equity		**273,591,540,104**	**242,797,963,883**
Total Liabilities and Equity		**304,049,116,582**	**305,818,097,631**

The notes on pages 9 to 41 form part of these statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31, 2022 and 2021

(In Philippine Peso)

	Note	2022	Restated 2021
Income			
Service and Business Income	17	45,260,125,759	41,806,226,628
Gains	18	943,251,862	415,815,756
Other Non-Operating Income	19	6,761,939,815	722,032,691
Total Income		**52,965,317,436**	**42,944,075,075**
Expenses			
Personnel Services	20	1,028,173,451	997,372,620
Maintenance and Other Operating Expenses	21	452,937,156	425,746,933
Receivership and Liquidation Expense		262,642,610	272,066,573
Deposit Pay-out Expense		0	471,147,694
Financial Expenses	22	890,821,719	1,947,520,146
Non-Cash Expenses	23	29,968,835,369	28,147,613,312
Total Expenses		**32,603,410,305**	**32,261,467,278**
Net Income		**20,361,907,131**	**10,682,607,797**
Total Comprehensive Income		**20,361,907,131**	**10,682,607,797**

The notes on pages 9 to 41 form part of these statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2022 and 2021

(In Philippine Peso)

	Note	Permanent Insurance Fund	Reserves for Insurance Losses	Retained Earnings	Total
BALANCE AT JANUARY 1, 2021		**3,000,000,000**	**195,720,867,017**	**15,429,928,485**	**214,150,795,502**
CHANGES IN EQUITY FOR 2021					
Add/(Deduct):					
Additional reserves for insurance losses	23.1		26,438,097,113		26,438,097,113
Restated Net Income for the period				10,682,607,797	10,682,607,797
Declaration of cash dividends	25			(8,473,536,529)	(8,473,536,529)
BALANCE AT DECEMBER 31, 2021		**3,000,000,000**	**222,158,964,130**	**17,638,999,753**	**242,797,963,883**
CHANGES IN EQUITY FOR 2022					
Add/(Deduct):					
Additional reserves for insurance losses	23.1		24,041,872,801		24,041,872,801
Net Income for the period				20,361,907,131	20,361,907,131
Declaration of cash dividends	25			(13,610,203,711)	(13,610,203,711)
BALANCE AT DECEMBER 31, 2022		**3,000,000,000**	**246,200,836,931**	**24,390,703,173**	**273,591,540,104**

The notes on pages 9 to 41 form part of these statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Revenue/Income		47,323,405,048	43,523,754,932
Collection of Receivables		697,983,460	1,771,806,012
Other Receipts		262,920,770	107,352,232
		48,284,309,278	**45,402,913,176**
Cash Outflows			
Payment of Expenses		(14,186,736,489)	(1,231,917,783)
Grant of Cash Advances		(18,720,673)	(5,234,550)
Refund of Deposits		(934,388,223)	(543,417,553)
Payment of Accounts Payable		(171,894,839)	(129,785,455)
Payment of Receivership and Liquidation Expenses		(5,007,536)	(11,404,977)
Payment of Taxes Withheld		(8,065,589)	(104,963)
		(15,324,813,349)	**(1,921,865,281)**
Net Cash Provided by Operating Activities		**32,959,495,929**	**43,481,047,895**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from Matured Investments/Redemption of Long Term Investments/Return on Investments		330,942,045,543	157,631,529,017
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		(78,744,618)	(69,684,349)
Purchase/Acquisition of Investments		(322,320,289,485)	(193,807,836,006)
Purchase of LBP/BSP Trust Fund		(845,590)	(6,316,289)
		(322,399,879,693)	**(193,883,836,644)**
Net Cash Provided by/(Used in) Investing Activities		**8,542,165,850**	**(36,252,307,627)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Payment of Long-term Liabilities		(20,038,596,625)	0
Payment of Cash Dividends		(13,130,909,032)	(7,109,065,981)
Net Cash Used in Financing Activities		**(33,169,505,657)**	**(7,109,065,981)**
INCREASE IN CASH AND CASH EQUIVALENTS		**8,332,156,122**	**119,674,287**
Effects of Exchange Rate Changes on Cash and Cash Equivalents		31,119	18,630
CASH AND CASH EQUIVALENTS, JANUARY 1		275,868,522	156,175,605
CASH AND CASH EQUIVALENTS, DECEMBER 31	**3**	**8,608,055,763**	**275,868,522**

The notes on pages 9 to 41 form part of these statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2022 and 2021
(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

The Philippine Deposit Insurance Corporation (PDIC) or the "Corporation" is a government instrumentality with corporate powers established on June 22, 1963 with the passage of Republic Act (R.A.) 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. By virtue of the RA No. 11840 effective July 20, 2022, the Corporation shall be attached to the Bangko Sentral ng Pilipinas (BSP) for policy and program coordination.

The Corporation maintains two principal offices located at the SSS Building, 6782 Ayala Avenue corner V.A. Rufino Street and at 2228 Chino Roces Avenue, both in Makati City.

As at December 31, 2022, PDIC's total workforce[1] complement stood at 632 (214 officers and 418 rank and file employees), 519 of whom are of permanent status, 2 contractual, 6 are coterminous and 105 casual.

Under the PDIC Charter, as amended by R.A. No. 11840, the Board of Directors shall be composed of seven members, as follows:

a) The governor of the Bangko Sentral ng Pilipinas who shall be the ex-officio Chairperson of the Board without compensation;
b) The Secretary of Finance who shall be the ex-officio Vice-Chairperson and member of the Board without compensation;
c) The President of the Corporation, who shall be appointed by the President of the Philippines from a shortlist prepared by the Governance Commission for Government-Owned or Controlled Corporations (GCG) pursuant to R.A. No. 10149, or the "GOCC Governance Act of 2011" to serve on a full-time basis for a term of six years as member of Board; and
d) Four members from the private sector to be appointed by the President of the Philippines from a shortlist prepared by the GCG pursuant to R.A. No. 10149. The appointive directors shall serve for a term of six years.

The Board of Directors authorized the issuance of the financial statements on May 16, 2023.

[1] *Excluding externally provided services by 275 personnel.*

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of financial statements preparation

The Corporation’s financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PASs) 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 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 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 PFRSs 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 by 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 as of the end of the immediately preceding year, it will reassess its business model.

The carrying amount of investments as at December 31, 2022 and 2021 are disclosed in Note 4. There was no impairment loss recognized on investments in 2022 and 2021.

a. Impairment of financial assets

The Corporation recognizes impairment for expected credit loss (ECL) based on PFRS 9 on investments in debt instruments and loans to banks under financial assistance that are measured at amortized cost and other receivables. 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, 2022 and 2021 are disclosed in Note 5.

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 investment properties, property, plant and equipment and intangible assets as at December 31, 2022 and 2021 are disclosed in Notes 7, 8 and 9 respectively.

c. Estimated useful lives of property, plant and equipment

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

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.

e. Estimated Deposit Insurance Liability

In accordance with PFRS 9, the Corporation recognizes ECL on deposit insurance provided to member banks as Estimated Liability on Deposit Insurance (ELDI), considering the risk classification of the banks, the failure probability generated by the PDIC Bank Failure Prediction Model developed by World Bank, and other bank information provided by the BSP.

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 amendments to existing PFRS which became effective for accounting period beginning on or after January 1, 2022 but has no impact on the accounting policies and financial statements' presentation and reporting of the Corporation, are the following:

- Amendments to PAS 16 Property, Plant and Equipment — Proceeds before Intended Use (effective for annual periods beginning on or after January 1, 2022);

- Amendments to PAS 37 Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts - Cost of Fulfilling a Contract (effective for annual periods beginning on or after January 1, 2022;

- Amendments to PFRS 3 Business Combinations – The International Accounting Standards Board (IASB) has published 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements;

- Annual Improvement Process (AIP) PFRS 9 Financial Instruments – Fees in the’10 per cent’ test for derecognition of financial liabilities. This clarifies which fees to include in the 10% test to determine whether a financial liability has been substantially modified (i.e. the derecognition analysis). A borrower includes only fees paid or received between itself and the lender, including fees paid or received by either the borrower or the lender on the other's behalf; and

- AIP PAS 41 Agriculture – The amendment to PAS 41 Agriculture removed a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in PAS 41 with those in other PFRS Standards.

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 and are not reasonably expected to be applicable at a future date are as follows:

- PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

- Amendment to PFRS 16 Leases. Lease Liability in a Sale and Leaseback requires a seller-lessee to account for variable lease payments that arise in a sale-and-leaseback transaction. Effective for annual periods beginning on or after 1 January 2024;

- Amendments to PAS 1 and PFRS Practice Statement 2 – Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. Effective for annual periods beginning on or after 1 January 2023; and

- Amendment to PAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction. Effective for annual periods beginning on or after 1 January 2023.

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 Cost*	Amortized Cost
Financial Asset at Fair Value through Other Comprehensive Income	FVTOCI
Receivables	Amortized Cost

*including earmarked funds for loans payment

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. 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 agreements. These are initially booked at cost and subsequently measured at cost net of allowance for impairment loss and allowance for depreciation.

Impairment of Investment Properties shall be based on an objective evidence of impairment which may be due to the physical damage to an asset, obsolescence or asset becoming idle, or decline in market value. The amount of impairment loss shall be measured as the difference between the carrying amount of the asset and the recoverable amount. Impairment loss occurs when the recoverable value of assets falls below its carrying amount. The recoverable amount shall be the value in use, if fair value less costs to sell cannot be determined. When an asset has no realizable value, the allowance for impairment shall be equivalent at 100 per cent of the book value.

The monthly depreciation is computed using the straight-line method at cost less residual value of 5 per cent over the estimated useful life of an asset, or up to 10 years from date of acquisition, whichever is shorter.

The monthly depreciation on impaired assets shall be computed using the straight-line method at carrying amount less residual value of 5 per cent over the estimated useful life of the asset, or up to 10 years from date of acquisition, whichever is shorter. The carrying amount is equivalent to the cost less accumulated depreciation and impairment losses.

d. 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 ₱50,000 are recognized as expense when issued to end users.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets. This is computed at cost less 5 per cent 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.

e. 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.

f. Financial liabilities and Equity

Classification as debt or equity instruments

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

The Notes Payable are measured at amortized cost except for those payable through assumption of liability or assigned accounts.

f.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.

f.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 R.A. 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 then Central Bank of the Philippines in the amount of ₱977.787 million into equity of the NG.

Reserves for insurance losses

PDIC sets aside reserves for insurance losses to build-up the DIF to estimated insured deposits (Philippine Banking System) target ratio of 5.5 per cent to 8 per cent.

Retained earnings

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

g. Income recognition

Income represents increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in an increase in equity, other than those relating to contributions from equity participants. For receivables preliminarily set-up and booked as other income for monitoring purposes, shall be subjected to dividends only once, upon collection.

Assessments

Assessment collections from member banks are recognized as income in the year these are received by the Corporation. The semestral assessment collections are amortized over a period of six months.

Membership with PDIC of 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 to deposits as defined under subsection (a) of Section 7 of R.A. No. 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.

Membership with PDIC of all banks doing business in the country is mandatory. R.A. No. 3591, as amended, also provides that the deposit liabilities of any bank which engaged in the business of receiving deposits as defined in the PDIC Charter, or which thereafter may engage in the business of receiving deposits, shall be insured with the Corporation.

Interest Income

a. 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.

b. 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.

h. Dollar-denominated assets

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

i. Employee benefits

Provident fund

In accordance with Section 9 (11) of R.A. No. 3591, as amended, the Corporation has established a Provident Fund, which is a defined contribution plan where contributions made both by its officers and employees and the Corporation are accumulated. The Fund is administered by its Board of Trustees.

Retirement

Government Services Insurance System (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 separation benefits.

Separation Benefits
Voluntary or involuntarily separation of employees from service, including payment of separation benefits shall be in accordance with Civil Service Commission (CSC), GSIS, Commission on Audit 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 on Leave and guidelines on Monetization of Leaves Credits.

j. Leases

PDIC as Lessor

Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease collections are mainly from investment properties acquired from closed banks or financially assisted banks. The operating lease collections are recognized as income in profit or loss based on a straight-line basis over the lease term agreement.

In cases where a lease contract provides for the annual increment on rental fee within certain term or period, income is also recognized based on a straight-line method within the accounting period.

PDIC as Lessee

PDIC has elected to account for short-term leases using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense as incurred.

k. 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 financial assistance cost must not result to 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 of financial assistance 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.

l. 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.

m. Taxes

In accordance with Section 22 (c) of R.A. No. 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 R.A. 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 provided for in the annual General Appropriations Act.

n. 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:

	2022	2021
Cash on Hand	1,694,275	1,412,539
Cash in Bank – Local Currency	151,869,140	154,677,338
Cash in Bank – Foreign Currency	352,277	321,644
Cash Equivalents	8,454,140,071	119,457,001
	8,608,055,763	**275,868,522**

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 in local and foreign currency (US dollar) for operating funds, pay-out funds, collections, emergency drawing accounts and BSP current account.

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

4. INVESTMENTS

This account includes the following:

	2022			2021		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Investment Securities at Amortized Cost	36,090,851,671	244,392,304,311	280,483,155,982	63,723,842,633	194,218,927,763	257,942,770,396
Sinking Funds	7,048,450,410	3,698,086,462	10,746,536,872	22,603,519,823	8,485,818,729	31,089,338,552
Financial Assets at Fair Value Through Other Comprehensive Income	0	102,629,550	102,629,550	0	12,102,629,550	12,102,629,550
	43,139,302,081	**248,193,020,323**	**291,332,322,404**	**86,327,362,456**	**214,807,376,042**	**301,134,738,498**

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 ₱12.47 billion and ₱11.45 billion in 2022 and 2021, respectively.

Sinking funds represent the balances of funds being accumulated for the repayment of loans with BSP upon maturity, a portion of which is being managed by the BSP-Financial Services Department.

Financial assets at fair value through other comprehensive income (FA-FVTOCI) are initially measured at fair value plus transaction costs. Subsequently, these are measured at fair value with gains/losses arising from changes in fair value. The cumulative gain/loss on the disposal of investments are directly added or charged to Retained Earnings, if any.

On September 24, 2021, a Certificate of Indebtedness (COI) with face value of P12 billion was issued by the Land Bank of the Philippines to the Corporation in consideration of a commercial bank's Special Preferred Shares holdings of PDIC. The COI was subsequently assigned to BSP effective May 31, 2022 as part of the full settlement of a loan with BSP as approved by PDIC and BSP.

Preferred shares represent subscription to preferred shares of 114,050 and 9,122,455 with par value of ₱100 and ₱10 per share issued by two rural banks on December 27, 2017 and September 24, 2018, respectively. 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.

5. RECEIVABLES

This account includes the following:

	2022			Restated 2021		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Loans and Receivables-net	63,783,590	1,263,085,096	1,326,868,686	60,932,762	1,153,679,575	1,214,612,337
Inter-Agency Receivables-net	551,635	62,838,296	63,389,931	293,931,414	62,838,296	356,769,710
Other Receivables-net	20,272	267,610	287,882	156,918	0	156,918
	64,355,497	**1,326,191,002**	**1,390,546,499**	**355,021,094**	**1,216,517,871**	**1,571,538,965**

Loans and Receivables

This account includes the following:

	2022			2021		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Notes Receivable	**2,403,396**	**409,044,620**	**411,448,016**	**2,537,763**	**465,744,394**	**468,282,157**
Subrogated Claims Receivable	0	65,345,282,521	65,345,282,521	0	64,632,017,255	64,632,017,255
Allowance for Impairment	0	(65,254,070,035)	(65,254,070,035)	0	(64,632,017,255)	(64,632,017,255)
Net Value	**0**	**91,212,486**	**91,212,486**	**0**	**0**	**0**
Receivership and Liquidation Receivable	0	3,338,265,567	3,338,265,567	0	3,251,049,353	3,251,049,353
Allowance for Impairment	0	(3,328,638,180)	(3,328,638,180)	0	(3,251,049,353)	(3,251,049,353)
Net Value	**0**	**9,627,387**	**9,627,387**	**0**	**0**	**0**
Assigned Loans Receivables	0	12,617,454,790	12,617,454,790	0	12,418,981,004	12,418,981,004
Allowance for Impairment	0	(11,952,142,256)	(11,952,142,256)	0	(11,856,137,291)	(11,856,137,291)
Net Value	**0**	**665,312,534**	**665,312,534**	**0**	**562,843,713**	**562,843,713**
Loans Receivable – Others	0	2,610,164,963	2,610,164,963	0	2,610,164,962	2,610,164,962
Allowance for Impairment	0	(2,605,571,081)	(2,605,571,081)	0	(2,605,571,081)	(2,605,571,081)
Net Value	**0**	**4,593,882**	**4,593,882**	**0**	**4,593,881**	**4,593,881**
Sales Contract Receivable	50,926,969	83,308,155	134,235,124	1,789,083	120,512,785	122,301,868
Allowance for Impairment	0	(13,968)	(13,968)	0	(15,198)	(15,198)
Net Value	**50,926,969**	**83,294,187**	**134,221,156**	**1,789,083**	**120,497,587**	**122,286,670**
Interest Receivable	10,453,225	0	10,453,225	56,605,916	0	56,605,916
Total	**63,783,590**	**1,263,085,096**	**1,326,868,686**	**60,932,762**	**1,153,679,575**	**1,214,612,337**

Notes receivable represent loans granted to a thrift bank and two-rural banks, fully secured by government securities under the Strengthening Program for Rural Banks.

Subrogated claims receivable 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 against the remaining assets of the closed bank, if any. For the year 2022, the Subrogated Claims Receivable are provided with allowance for impairment losses at 85 per cent over a discount period of 1 to 8 years from 2022 based on present value of Estimated Realizable Value of Assets (ERVA) of closed banks as of December 31, 2022.

Receivership and liquidation receivable pertains to expenses advanced by the Corporation in carrying out its mandate as receiver and liquidator of closed banks. For the year 2022, the Accounts Receivable - Receivership/Liquidation are provided with allowance for impairment losses at 20 per cent over a discount period of 1 to 8 years from 2022 based on present value ERVA of closed banks as of December 31, 2022.

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. No interest income is accrued on these loans owing to their past due status.

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/or advances for receivership and liquidation expenses.

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

Inter-Agency Receivables

	2022			2021		
	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	293,370,347	58,338,296	351,708,643
DBM-Procurement Service	551,635	4,500,000	5,051,635	561,067	4,500,000	5,061,067
	551,635	948,568,438	949,120,073	293,931,414	948,568,438	1,242,499,852
Allowance for Impairment	0	(885,730,142)	(885,730,142)	0	(885,730,142)	(885,730,142)
	551,635	**62,838,296**	**63,389,931**	**293,931,414**	**62,838,296**	**356,769,710**

Inter-Agency Receivables are receivables from the following agencies:

Bureau of Internal Revenue (BIR) represents creditable taxes withheld by withholding agents from assessment collections and interests on financial assistance for the year 2010 - 2014, for refund by the BIR in accordance with the provisions of BIR Revenue Regulation No. 6-2010.

National Government represents the balance of the share of the NG in insured deposits paid in excess of ₱250,000 up to ₱500,000 in bank closures from June 1, 2009 to May 31, 2012 as provided in the amendments of the PDIC Charter in 2009.

DBM Procurement Service (DBM-PS) represents the revolving fund maintained for the DBM-PS facility for the purchase of plane tickets for local travel. This balance also includes advance payments for the procurement of supplies, materials and equipment to the DBM-PS.

Other receivables

This represents other receivables which includes the following:

	2022			Restated 2021		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Due from Officers and Employees	6,246	12,665,461	12,671,707	131,983	11,609,363	11,741,346
Allowance for Impairment	0	(12,665,461)	(12,665,461)	0	(11,609,363)	(11,609,363)
Net Value	**6,246**	**0**	**6,246**	**131,983**	**0**	**131,983**
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	18,268	5,203,680	5,221,948	45,129	4,926,139	4,971,268
Allowance for Impairment	(4,242)	(4,936,070)	(4,940,312)	(20,194)	(4,926,139)	(4,946,333)
Net Value	**14,026**	**267,610**	**281,636**	**24,935**	**0**	**24,935**
Total	**20,272**	**267,610**	**287,882**	**156,918**	**0**	**156,918**

Aging/Analysis of Receivables

As at December 31, 2022

			Past Due		
Accounts	**Gross Amount**	**Not Past Due**	**< 30 days**	**30-60 days**	**>60 days**
Subrogated Claims Receivables	65,345,282,521	0	0	0	65,345,282,521
Assigned Loans Receivables	12,617,454,790	0	0	0	12,617,454,790
Receivership and Liquidation Receivable	3,338,265,567	0	0	0	3,338,265,567
Loans Receivable - Others	2,610,164,963	0	0	0	2,610,164,963
Inter-Agency Receivables	949,120,073	5,051,635	0	0	944,068,438
Notes Receivable	411,448,016	411,448,016	0	0	0
Sales Contract Receivables	134,235,124	132,283,314	0	0	1,951,810
Interest Receivable	10,453,225	10,453,225	0	0	
Other Receivables	17,985,683	11,924,935	0	0	6,060,748
	85,434,409,962	**571,161,125**	**0**	**0**	**84,863,248,837**

6. INVENTORIES

	2022	Restated 2021
Inventory Held for Consumption		
Balance, January 1	1,592,285	819,296
Additions/Acquisitions during the year	5,142,953	3,393,949
Expensed during the year	(4,300,417)	(2,620,960)
Balance, December 31	**2,434,821**	**1,592,285**

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

7. INVESTMENT PROPERTY

This account includes the following:

	2022	Restated 2021
Carrying Amount, January 1	1,636,420,254	1,803,715,929
Addition/Acquisition	33,646,119	22,807,405
Total	1,670,066,373	1,826,523,334
Disposals	(110,812,903)	(86,412,393)
Reversal of Allowance for Impairment Loss	5,221,109	5,530,500
Depreciation	(5,863,108)	(109,219,017)
Reclassification	0	(2,170)
Carrying Amount, December 31	**1,558,611,471**	**1,636,420,254**
Gross Cost	2,103,844,000	2,493,748,446
Accumulated Impairment Loss	(430,150,404)	(748,109,175)
Accumulated Depreciation	(115,082,125)	(109,219,017)
Carrying Amount, December 31	**1,558,611,471**	**1,636,420,254**

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.

As of December 31, 2022, there are 5,894 Investment Properties with a total book value of ₱2.10 billion with allowance for impairment of ₱430.15 million and accumulated depreciation of ₱115.08 million, or a net book value of ₱1.56 billion. The total appraised value of Investment Properties amounts to ₱4.30 billion.

The balance includes 45 condominium properties composed of 36 condominium units and nine parking spaces acquired from 2002 to 2016 with a book value of ₱224.40 million with allowance for impairment of ₱75.79 million, or a net book value of ₱148.60 million. At present one condominium unit and five parking spaces are covered by lease contracts.

8. PROPERTY, PLANT AND EQUIPMENT

This account includes the following:

2022						
Particulars	**Land**	**Buildings**	**Construction in Progress-Buildings and Other Structures**	**Furniture, Fixtures, Equipment**	**Transportation Equipment**	**Total**
Cost						
At January 1, 2022	26,206,018	153,352,395	200,188,167	100,034,196	36,610,705	516,391,481
Additions	0	0	84,954,523	7,124,668	0	92,079,191
Disposals/ adjustments	0	0	(633,125)	(3,521,004)	(1,747,300)	(5,901,429)
At December 31, 2022	**26,206,018**	**153,352,395**	**284,509,565**	**103,637,860**	**34,863,405**	**602,569,243**
Accumulated Depreciation						
At January 1, 2022	0	129,343,028	0	68,145,572	18,447,103	215,935,703
Depreciation/ Amortization	0	4,918,758	0	10,423,722	2,986,572	18,329,052
Disposals/ adjustments	0	0	0	(2,310,227)	(1,572,570)	(3,882,797)
At December 31, 2022	**0**	**134,261,786**	**0**	**76,259,067**	**19,861,105**	**230,381,958**
Net book value At December 31, 2022	**26,206,018**	**19,090,609**	**284,509,565**	**27,378,793**	**15,002,300**	**372,187,285**

Restated 2021						
Particulars	**Land**	**Buildings**	**Construction in Progress-Buildings and Other Structures**	**Furniture, Fixtures, Equipment**	**Transportation Equipment**	**Total**
Cost						
At January 1, 2021	26,206,018	145,317,082	137,376,760	173,114,938	28,673,691	510,688,489
Additions	0	8,035,313	62,811,407	24,626,031	9,540,832	105,013,583
Disposals/ adjustments	0	0	0	(97,706,773)	(1,603,818)	(99,310,591)
At December 31, 2021	**26,206,018**	**153,352,395**	**200,188,167**	**100,034,196**	**36,610,705**	**516,391,481**
Accumulated Depreciation						
At January 1, 2021	0	123,942,151	0	110,488,147	17,971,126	252,401,424
Depreciation/ Amortization	0	3,472,402	0	13,957,060	1,903,512	19,332,974
Disposals/ adjustments	0	1,928,475	0	(56,299,635)	(1,427,535)	(55,798,695)
At December 31, 2021	**0**	**129,343,028**	**0**	**68,145,572**	**18,447,103**	**215,935,703**
Net book value At December 31, 2021	**26,206,018**	**24,009,367**	**200,188,167**	**31,888,624**	**18,163,602**	**300,455,778**

This account includes the corporate property located at Chino Roces Avenue, Makati City, with appraised value of ₱1 billion for the land and ₱545 million for the building totaling ₱1.545 billion. The construction of the building annex is on-going and is targeted to be completed in 2023. The area of 246 square meters of the land is subject to the ongoing expropriation by the government in view of the Department of Transportation – Philippine National Railway North South Commuter Railway Extension Project.

9. 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.

	2022	2021
Carrying Amount, January 1	21,367,275	8,552,375
Addition – Purchased	20,865,373	17,261,128
Total	42,232,648	25,813,503
Amortization	(5,584,563)	(4,446,228)
Carrying Amount, December 31	**36,648,085**	**21,367,275**
Gross Cost	174,087,485	153,222,112
Accumulated Amortization	(137,439,400)	(131,854,837)
Carrying Amount, December 31	**36,648,085**	**21,367,275**

10. OTHER ASSETS

This account includes the following:

	2022			Restated 2021		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Restricted Fund	343,539,995	20,654,707	364,194,702	331,408,684	19,221,942	350,630,626
Prepayments	40,304,928	13,512,347	53,817,275	180,715,232	15,285,186	196,000,418
Guaranty Deposits	0	34,542,161	34,542,161	0	34,736,851	34,736,851
Impairment Loss-Guaranty Deposits		(7,898)	(7,898)	0	(7,898)	(7,898)
Other Assets	1,839,103	1,444,750,817	1,446,589,920	831,146	1,444,750,817	1,445,581,963
Accumulated Impairment-Other Assets	0	(1,150,825,906)	(1,150,825,906)	0	(1,150,825,906)	(1,150,825,906)
	385,684,026	**362,626,228**	**748,310,254**	**512,955,062**	**363,160,992**	**876,116,054**

Restricted Fund represents the Legal Liability Indemnification Fund held in trust by Land Bank of the Philippines Trust Banking Group to finance legal expenses for possible cases against employees and directors of the Corporation in the performance of their duties and BSP Trust Fund representing fund put in escrow for the account of PDIC for payment of Notes Payable to BSP which was used to fund the financial assistance granted to banks.

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

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

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

11. FINANCIAL LIABILITIES

This account includes the following:

	2022			Restated 2021		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Notes Payable	14,061,189,621	1,966,946,071	16,028,135,692	52,225,504,263	1,988,499,991	54,214,004,254
Estimated Deposit Insurance Liability	6,767,261,945		6,767,261,945	1,725,257,722		1,725,257,722
Accounts Payable	76,361,440	53,081	76,414,521	81,281,959	8,026,944	89,308,903
Due to Officers and Employees	45,677,243	23,479,090	69,156,333	72,798,440	1,892,842	74,691,282
	20,950,490,249	**1,990,478,242**	**22,940,968,491**	**54,104,842,384**	**1,998,419,777**	**56,103,262,161**

Notes Payable represents outstanding loans accounts payable to the Bangko Sentral ng Pilipinas (BSP) which were utilized to fund financial assistance to operating or acquirer banks in accordance with Section 22 of R.A. No. 3591, as amended.

There are two loan accounts with principal amount of ₱2.46 billion and ₱10 billion which have matured last May 7, 2022 and October 23, 2022. PDIC proposals for full settlement were forwarded to BSP and are now under the latter's consideration.

In April and December 2022, the Corporation has settled eight Promissory Notes of the loan accounts with BSP amounting to ₱20.04 billion as approved by the PDIC Board on April 6, 2022 and November 24, 2022 and the Monetary Board on April 7, 2022.

The above balances do not include the amount of principal and interest of ₱1.440 billion and ₱1.433 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 administrative adjudication pursuant to Executive Order No. 292, otherwise known as the Revised Administrative Code. On October 23, 2019, the DOJ issued a resolution which, among others, found the PDIC still liable to pay the BSP for the outstanding balance, including interest, of the P10 billion loan. The PDIC filed on November 8, 2019 its Notice of Appeal with the Office of the President of the Philippines from the DOJ Resolution dated October 23, 2019.

On December 9, 2019, the PDIC filed its Appeal Memorandum with a prayer to set aside the October 23, 2019 DOJ Resolution and that the source for the repayment of its loan obligation to BSP be held exclusively limited to those provided for under Section 1.05 of the Loan Agreement. On the other hand, the BSP filed its Comment dated January 17, 2020.

Meantime, both BSP and PDIC are discussing a possible settlement of the case, in consultation with their respective counsels, which is the Office of the Government Counsel for the PDIC.

Estimated Liability on Deposit Insurance represents the total Estimated Insured Deposits (EID) amounting to ₱6.77 billion of banks forecasted to be closed in the succeeding year plus the balance of validated insured deposits but unclaimed by concerned depositors. The balance excludes the estimated insured deposit liabilities of ₱1.29 billion, based on the latest report to PDIC, of one bank which was closed and placed under the liquidation of the PDIC by the Monetary Board in November 2019. However, the Court of Appeals nullified the order of closure in its September 2020 decision. Subsequently, the Supreme Court (SC) affirmed the Court of Appeals decision in its March 1, 2023 Resolution. The PDIC filed its Motion for Reconsideration on the SC resolution on May 12, 2023 which is pending to date.

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.

12. INTER-AGENCY PAYABLES

This account consists of the following:

		2022			Restated 2021	
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Due to BIR	24,765,493	0	24,765,493	24,911,990	0	24,911,990
Due to GSIS	10,949,995	0	10,949,995	10,764,376	0	10,764,376
Due to PHIC	1,327,963	0	1,327,963	842,364	0	842,364
Due to HDMF	267,476	0	267,476	219,467	0	219,467
	37,310,927	**0**	**37,310,927**	**36,738,197**	**0**	**36,738,197**

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

Due to Philippine Health Insurance Corporation (PHIC) represents corporate and employee's contributions for remittance in the following month.

Due to Home Development Mutual Fund (HDMF) represents corporate and employee's contributions and loan payments deducted from salaries of employees for remittance in the following month.

13. TRUST LIABILITIES

	2022			2021		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Guarantee/Security Deposits Payable	10,677,047	19,891,188	30,568,235	6,845,471	16,016,284	22,861,755
Customers' Deposits Payable	1,478,930	56,000	1,534,930	1,799,060	56,000	1,855,060
	12,155,977	**19,947,188**	**32,103,165**	**8,644,531**	**16,072,284**	**24,716,815**

The Guaranty/Security Deposits Payable represents performance bond, warranty bond and/or retention money received from the winning bidder/contractor to ensure delivery of the items and/or performance of the project and to be released upon the actual delivery of the items, completion of the project and/or lapse of the warranty. On the other hand, Customers' Deposits Payable represents cash deposits from lessee of Investment Property to be released upon the application to the lease payment at the end of the lease contract and of the damages to the leased property.

14. UNEARNED INCOME

	2022			2021		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Unearned Income	42,354,122	68,374,066	110,728,188	495,605	35,900	531,505

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

15. PROVISIONS

	2022	2021
Balance, January 1	**283,693,300**	**268,546,575**
Accrual	40,237,033	49,082,022
Monetization	(13,491,525)	(11,290,431)
Leave Credits of Separated Employees	(21,448,998)	(22,644,866)
Balance, December 31	**288,989,810**	**283,693,300**

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

16. OTHER PAYABLES

This account consists of the following:

	2022			2021		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Dividends Payable	7,044,952,782	0	7,044,952,782	6,565,658,103	0	6,565,658,103
Other Payables	2,523,115	0	2,523,115	5,533,667	0	5,533,667
	7,047,475,897	0	**7,047,475,897**	**6,571,191,770**	0	**6,571,191,770**

Dividends Payable represents accrued dividends due to the NG for 2022 income from other sources except assessments for remittance in the first quarter of the succeeding year.

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

17. BUSINESS INCOME

	2022	2021
Assessment Income	32,235,025,421	29,812,758,870
Interest Income	12,700,231,216	11,707,905,079
Dividend Income	38,236,025	6,331,743
Rent/Lease Income	4,146,245	6,077,101
Fines and Penalties-Business Income	17,316,252	15,178,136
Other Business Income	265,170,600	257,975,699
	45,260,125,759	**41,806,226,628**

18. GAINS

	2022	2021
Gain on Sale of Investment Property	890,512,531	185,443,873
Gain on Sale/Redemption/Transfer of Investments	37,087,439	152,748,118
Gain on Foreign Exchange	590,963	356,768
Other Gains	15,060,929	77,266,997
	943,251,862	**415,815,756**

19. OTHER NON-OPERATING INCOME

	2022	2021
Reversal of Impairment Loss	222,464,073	191,830,566
Recoveries	382,964,652	527,941,231
Miscellaneous Income	6,156,511,090	2,260,894
	6,761,939,815	**722,032,691**

20. PERSONNEL SERVICES

	2022	Restated 2021
Salaries and Wages	461,497,131	442,619,275
Personnel Benefit Contributions	259,832,990	253,179,420
Other Compensation	240,145,466	227,678,573
Other Personnel Benefits	66,697,864	73,895,352
	1,028,173,451	**997,372,620**

20.1 Personnel Benefit Contributions

	2022	2021
Provident/Welfare Fund Contributions	195,061,175	193,757,705
Retirement and Life Insurance Premiums	55,519,752	53,226,923
PhilHealth Contributions	7,779,213	4,849,142
Pag-IBIG Contributions	735,400	672,800
Employees Compensation Insurance Premiums	737,450	672,850
	259,832,990	**253,179,420**

20.2 Other Compensation

	2022	Restated 2021
Year-end Bonus	52,066,447	59,225,911
Mid-Year Bonus	37,285,100	35,579,771
Cash Gift	3,096,250	2,731,500
Productivity Incentive Allowances	25,771,454	19,910,520
Representation Allowance	15,671,375	15,034,687
Transportation Allowance	15,317,469	14,779,861
Overtime and Night Differential	5,953,779	1,760,812
Personnel Economic Relief Allowance	3,624,010	3,323,226
Clothing/Uniform Allowance	3,438,000	3,186,000
Longevity Pay	2,203,130	2,214,965
Hazard Pay	0	2,172,037
Other Bonuses and Allowances	75,718,452	67,759,283
	240,145,466	**227,678,573**

20.3 Other Personnel Benefits

	2022	Restated 2021
Terminal Leave Benefits	40,375,347	49,184,947
Other Personnel Benefits	26,322,517	24,710,405
	66,697,864	**73,895,352**

21. MAINTENANCE AND OTHER OPERATING EXPENSES

	2022	Restated 2021
Utility Expenses	68,168,287	60,706,680
Professional Services	41,188,189	65,437,900
General Services	48,778,453	33,482,736
Travel Expenses	17,811,400	3,031,789
Supplies and Materials Expenses	13,285,774	44,337,624
Repairs and Maintenance	8,976,980	8,509,978
Taxes, Insurance Premiums and Other Fees	13,434,947	3,856,781
Communication Expenses	7,664,920	6,949,257
Confidential, Intelligence and Extraordinary	8,032,467	5,834,878
Training Expenses	4,842,658	2,542,725
Other Maintenance and Operating Expenses	220,753,081	191,056,585
	452,937,156	**425,746,933**

21.1 Utility Expenses

	2022	Restated 2021
Electricity Expenses	61,111,330	54,120,385
Water Expenses	7,056,957	6,586,295
	68,168,287	**60,706,680**

21.2 Professional Services

	2022	Restated 2021
Auditing Services	13,653,063	13,361,260
Consultancy Services	8,882,337	7,414,666
Other Professional Services	18,652,789	44,661,974
	41,188,189	**65,437,900**

21.3 General Services

	2022	Restated 2021
Security Services	30,544,357	20,867,607
Janitorial Services	16,625,976	11,874,599
Other General Services	1,608,120	740,530
	48,778,453	**33,482,736**

21. 4 Travel Expenses

	2022	Restated 2021
Travel Expenses – Local	12,993,653	3,031,789
Travel Expenses – Foreign	4,817,747	
	17,811,400	**3,031,789**

21.5 Supplies and Materials Expenses

	2022	Restated 2021
Office Supplies Expenses	7,494,751	6,301,248
Semi-Expendable Machinery and Equipment	2,644,854	35,045,630
Fuel, Oil and Lubricants Expenses	2,048,643	1,373,316
Drugs and Medicines Expenses	301,318	317,222
Semi-Expendable Furniture, Fixtures and Books	37,846	860,076
Accountable Forms Expenses	0	11,975
Medical, Dental and Laboratory Supplies	137,689	23,147
Other Supplies and Materials	620,673	405,010
	13,285,774	**44,337,624**

21.6 Repairs and Maintenance

	2022	Restated 2021
Machinery and Equipment	7,051,915	6,183,271
Semi-Expendable Machinery and Equipment	836,232	753,670
Transportation Equipment	710,299	1,240,131
Buildings and Other Structures	360,064	332,906
Furniture and Fixtures	18,470	0
	8,976,980	**8,509,978**

21.7 Taxes, Insurance Premiums and Other Fees

	2022	2021
Fidelity Bond Premiums	3,280,326	2,275,029
Insurance Expenses	2,089,033	1,476,789
Taxes, Duties and Licenses	8,065,588	104,963
	13,434,947	**3,856,781**

21.8 Communication Expenses

	2022	Restated 2021
Telephone Expenses	3,198,365	3,512,420
Postage and Courier Services	1,757,987	1,388,528
Internet Subscription Expenses	2,708,568	2,048,309
	7,664,920	**6,949,257**

21.9 Other Maintenance and Operating Expenses

	2022	Restated 2021
Rent/Lease Expenses	144,915,767	143,658,055
Litigation/Acquired Assets Expenses	15,895,296	12,489,346
Directors and Committee Members' Fees	9,678,000	6,992,000
Subscription Expenses	10,642,741	8,365,053
Membership Dues and Contributions to Organization	1,514,704	1,576,010
Advertising, Promotional and Marketing	1,584,188	2,620,460
Other Maintenance and Operating Expenses	36,522,385	15,355,661
	220,753,081	**191,056,585**

22. FINANCIAL EXPENSES

	2022	Restated 2021
Interest Expenses	886,623,639	1,945,086,448
Management Supervision/Trusteeship	339,544	338,201
Bank Charges	52,736	51,284
Other Financial Charges	3,805,800	2,044,213
	890,821,719	**1,947,520,146**

23. NON-CASH EXPENSES

	2022	Restated 2021
Provision for Insurance Losses	29,927,052,760	28,011,035,647
Depreciation	24,192,160	128,551,991
Amortization – Intangible Assets	5,584,563	4,446,228
Impairment Loss – Receivables	6,410,965	2,940,238
Losses on Foreign Exchange & Notes Payable	5,594,921	639,208
	29,968,835,369	**28,147,613,312**

23.1 Provision for Insurance Losses

	2022	2021
Provision for capital build-up	24,041,872,801	26,438,097,113
Provision for projected bank closures (net)	5,885,179,959	1,208,475,000
Provision for unpaid insured deposits	0	364,463,534
	29,927,052,760	**28,011,035,647**

23.2 Losses

	2022	2021
Loss on Foreign Exchange	233,152	139,061
Other Losses – Notes Payable (Early Extinguishment	5,361,769	500,147
	5,594,921	**639,208**

24. TAXES

The Corporation is exempt from income tax, final withholding tax, value added tax (VAT) on assessments and local taxes pursuant to Section 22 c of R.A. No. 3591, as amended. R.A. No. 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 Tax Expenditure Fund of the National Government (NG).

In compliance with the requirements of the Bureau of Internal Revenue (BIR) Revenue Regulation No. 15-2010, hereunder are the information on the taxes, duties and license fees paid in 2022 and 2021:

	2022	2021
Withholding Taxes:		
On Compensation and Benefits	104,581,664	99,815,239
Creditable Withholding Taxes	24,994,472	23,410,315
Final Withholding Taxes	120,915	108,636
Value Added Tax	3,965,830,792	3,549,616,397
BIR Annual Registration Fee	500	500
Total	**4,095,528,343**	**3,672,951,087**

25. DIVIDENDS TO THE NG

The Corporation remitted dividends to the National Government (NG) in the amount of ₱13.32 billion at 65 per cent of income from other sources for 2022. This includes the ₱6.27 billion advance declaration and remittance to the NG for CY 2022 as approved by the Board in response to the request of the Department of Finance (DOF) to fund NG's health and economic recovery measures. The Corporation also remitted ₱6.56 billion dividend in 2021 at 50 per cent.

Dividend adjustment of ₱293.37 million and additional dividends of ₱1.908 billion, both for 2020, were declared and remitted in 2021, as discussed below.

	2022	2021
Total Income	52,965,196,450	42,944,075,075
Assessment Income	(32,235,025,421)	(29,812,758,870)
Income not subject to dividend	(368,384,884)	
Dividend Base	20,361,786,145	13,131,316,205
Dividend rate	65.40%	50%
Dividend for the Year	13,316,833,363	6,565,658,103
2020 Additional Dividends	293,370,348	1,907,878,426
Total	**13,610,203,711**	**8,473,536,529**

The Memorandum of Agreement (MOA) dated March 14, 2019 with settlement amount of ₱4.07 billion for dividends years 2016-2017; Supplemental MOA dated March 9, 2020 with settlement amount of ₱2.01 billion for dividend year 2018 and 2nd Supplemental MOA dated October 21, 2020 with settlement amount of ₱1.94 billion for dividend year 2019 had been executed between DOF and PDIC on dividend issues with the regard to deductibility from the dividend base the interest on borrowings for financial assistance and insurance purposes, and propriety of the exclusion of unrealized income, booked to comply with International Financial Reporting Standards, from the dividend base. Remittances under these MOAs in the amount of ₱1.36 billion and ₱6.66 billion were made in 2019 and 2020, respectively.

In a letter dated December 17, 2020, the DOF and PDIC have jointly replied to the Department of Justice (DOJ) letter dated June 5, 2020 which recommended the commencement of administrative adjudication on the proper interpretation and application of Section 18 of R.A. No. 3591, as amended (PDIC Charter) on the abovementioned dividend issues. The DOF and PDIC, as approved by its Board, informed DOJ that they have agreed that there is no need to arbitrate. Instead, both DOF and PDIC shall request for an opinion from DOJ and shall be bound therewith.

On March 4, 2021, DOF requested the remittance of ₱2.19 billion as additional dividends for CY 2020 based on the abovementioned dividend issues, citing the immediate need for NG resources to fund the health and economic recovery measures. The Board declared ₱2.19 billion additional dividends on March 24, 2021 and PDIC remitted to the NG on March 25, 2021. In addition, the amount of ₱8.96 million was declared and remitted on October 29, 2021 per Board Resolution No. 2021-10-136 dated October 28, 2021 representing 50 per cent of ₱17.93 million COA adjustments. Further, the PDIC Board through its Resolution No. 2022-04-049 dated April 27, 2022 approved the Settlement Amount in the 3rd Supplemental MOA for the dividend year 2020 amounting to ₱1.908 billion.

The Board Resolution No. 2022-02-014A dated February 11, 2022, approved the declaration of additional ₱1.16 billion dividend for CY 2021 based on the same dividend issues. These outstanding Supplemental MOAs are still awaiting the DOJ opinion.

26. LEASES

The Corporation leased the premises of the Social Security System at Ayala Avenue, Makati City, which serves as one of the two PDIC's principal offices, for ₱192 million and ₱188 million as at December 31, 2022 and 2021, respectively**.** The lease is of short-term duration and renewable under certain terms and conditions. Payments made under such lease are expensed as incurred.

27. CONTINGENT LIABILITIES AND OTHER MATTERS

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

Claims for deposit insurance

There are 18 pending cases against the Corporation for payment of deposit insurance in the estimated amount of ₱29.94 million.

Cases subject matter of which are incapable of pecuniary estimation

There are 15 pending cases where the Corporation was impleaded as a respondent or defendant, subject matter of these cases are 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.

27.2 Estimated insured deposits (EID)

As at December 31, 2022, estimated insured deposits up to the ₱500,000 maximum deposit insurance coverage amounted to ₱3.33 trillion, representing 93.21 million accounts. This is equivalent to 19.29 per cent of the total deposits of ₱16.72 trillion in the banking industry.

27.3 Banks under receivership and liquidation

Closed banks under liquidation by PDIC as of December 31, 2022, stood at 373 exclusive of the 353 closed banks whose liquidation were terminated pursuant to the Final Report on the Termination of Liquidation of Assets and Winding-up of Affairs of Closed Banks approved by the PDIC Board. Based on available financial statements, the total Estimated Realizable Value of Assets (ERVA) and liabilities of 365[2] closed banks amounted to ₱50.86 billion and ₱140.49 billion, respectively. From the total ERVA of ₱50.86 billion, PDIC has an estimated recovery of ₱22.05 billion for subrogated claims and ₱3.10 billion for receivership and liquidation expenses in cash and in kind. The settlement of PDIC's claims is subject to the approval of the Asset Distribution Plan of closed banks by their respective Liquidation Courts.

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[2] This excludes seven (7) banks closed in 2021 and 2022, which are awaiting for submission of SOA and one (1) bank, the closure of which was nullified by the Court of Appeals in 2020 and subject of a pending petition before the Supreme Court to assail the decision of the Court of Appeals.

As of December 31, 2021, there were 372 closed banks under PDIC liquidation of which, 356[3] have ERVA of ₱48.17 billion and liabilities of ₱140.76 billion based on their latest available financial statements.

28. RELATED PARTY TRANSACTION

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

29. 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 may refer to the following risks: a) loans granted to operating banks needing financial assistance will not be paid or collected when due, b) non recovery of subrogated claims receivables, c) for advances made for receivership and liquidation expenses and d) 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. This is managed through regular offsite monitoring and periodic examination of assisted banks and strict monitoring of compliance with the covenants of the financial assistance agreements. The Corporation likewise mitigates such risk through the collateral requirements to secure the loans to assisted banks as part of its sources of payment.

Moreover, on the management of its investment, 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.

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[3] This excludes fifteen (15 banks closed in 2020 and 2021, during the COVID-19 pandemic which are for finalization and one (1) bank, the closure of which was nullified by the Court of Appeals in 2020 and subject of a pending petition before the Supreme Court to assail the decision of the Court of Appeals.

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
	2022		
Notes Receivable	411,448,016	411,448,016	0
	2021		
Notes Receivable	468,282,157	468,282,157	0

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. 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.

PDIC liquidity management policy is to maintain optimal liquid cash funds to adequately finance its operational requirements at any given time. The Corporation's funding requirement 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 PDIC Board has likewise approved in 2020 a contingency funding plan to ensure funding support in the event of a financial crisis.
The table below summarizes the maturity profile of the Corporation's financial liabilities as at December 31, 2022 and 2021.

	On Demand	Up to 3 months	> 3 up to 12 months	> 1 up to 5 years
As at December 31, 2022				
Accounts Payable and Due to Officers and Employees	122,038,683	0	0	23,532,171
Estimated Liability on Deposit Insurance	6,767,261,945	0	0	0
Notes Payable		14,061,189,621	0	1,532,395,917
	6,889,300,628	**14,061,189,621**	**0**	**1,555,928,088**
As at December 31, 2021				
Accounts Payable and Due to Officers and Employees	154,080,399	0	0	9,919,786
Estimated Liability on Deposit Insurance	1,725,257,722	0	0	0
Notes Payable		38,784,607,562	13,440,896,701	1,532,395,917
	1,879,338,121	**38,784,607,562**	**13,440,896,701**	**1,542,315,703**

	> 5 up to 10 years	> 10 up to 20 years	Over 20 years	Total
As at December 31, 2022				
Accounts Payable and Due to Officers and Employees		0	0	145,570,854
Estimated Liability on Deposit Insurance		0	0	6,767,261,945
Notes Payable	290,908,425	0	143,641,729	16,028,135,692
	290,908,425	**0**	**143,641,729**	**22,940,968,491**
As at December 31, 2021				
Accounts Payable and Due to Officers and Employees		0	0	164,000,185
Estimated Liability on Deposit Insurance		0	0	1,725,257,722
Notes Payable	320,975,448	0	135,128,626	54,214,004,254
	320,975,448	**0**	**135,128,626**	**56,103,262,161**

Capital Management

As a measure of capital adequacy, a range target ratio level of five and a half per cent to eight per cent (5.5% - 8%) of Deposit Insurance Fund (DIF) to Estimated Insured Deposits (EID) is maintained since its approval by the PDIC Board of Directors in 2017.

The target represents the ability of the Corporation to cover both anticipated and unanticipated risks in the banking system to promptly respond to possible insurance calls and financial assistance to banks, as may be warranted.

A report on Risk Classification of Banks is presented quarterly to the Board in order to determine the number of banks considered at risk and their corresponding risk exposure, represented by the banks’ estimated insured deposits. This report serves as inputs in DIF targeting, as well as for planning and budgeting activities attendant to bank closure.

As of December 31, 2022, DIF/EID ratio stood at 8.22 per cent with DIF at ₱273.59 billion over estimated EID at ₱3.33 trillion.