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, 2021 and 2020, 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, 2021 and 2020, 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 P1.44 billion and interest of P1.38 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

20 June 2022

PDIC

PHILIPPINE DEPOSIT INSURANCE CORPORATION

Bank deposit mo, protektado!

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Philippine Deposit Insurance Corporation is responsible for the preparation and fair presentation of the financial statements for the year ended December 31, 2021, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

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

EVANGELINE R. PANTALUNAN
Officer-in-Charge
Comptrollership Group

SANDRA A. DIAZ
Senior Vice President
Management Services Sector

ROBERTO B. TAN
President & CEO

PDIC 006476

June 20, 2022

PHILIPPINE DEPOSIT INSURANCE CORPORATION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	Restated 2020
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	275,868,522	156,175,605
Investments	4	86,327,362,456	35,213,355,947
Receivables	5	355,034,559	17,369,933
Inventories	6	344,994	819,296
Other Current Assets	10	513,241,814	343,410,955
		87,471,852,345	**35,731,131,736**
Non-Current Assets			
Investments	4	214,807,376,042	231,451,869,677
Receivables	5	1,216,517,871	2,298,519,681
Investment Property	7	1,745,639,271	1,803,715,929
Property, Plant and Equipment	8	334,819,206	258,287,065
Intangible Assets	9	21,367,275	8,552,375
Other Non-Current Assets	10	363,160,992	481,262,624
		218,488,880,657	**236,302,207,351**
Total Assets		**305,960,733,002**	**272,033,339,087**
LIABILITIES			
Current Liabilities			
Financial Liabilities	11	54,122,904,637	37,941,989,110
Inter-Agency Payables	12	36,839,974	38,937,033
Trust Liabilities	13	8,644,531	14,990,841
Unearned Income	14	495,605	1,105,329
Other Payables	16	6,571,191,770	4,916,570,040
		60,740,076,517	**42,913,592,353**
Non-Current Liabilities			
Financial Liabilities	11	1,999,243,666	14,694,667,830
Trust Liabilities	13	16,072,284	5,275,254
Unearned Income	14	35,900	461,572
Provisions	15	283,693,300	268,546,576
		2,299,045,150	**14,968,951,232**
Total Liabilities		**63,039,121,667**	**57,882,543,585**
EQUITY			
Government Equity (Permanent Insurance Fund)		3,000,000,000	3,000,000,000
Reserves for Insurance Losses		222,158,964,130	195,720,867,017
Retained Earnings		17,762,647,205	15,429,928,485
Total Equity		**242,921,611,335**	**214,150,795,502**
Total Liabilities and Equity		**305,960,733,002**	**272,033,339,087**

The notes on pages 9 to 38 form part of these statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	Restated 2020
Income			
Business Income	17	41,806,226,628	39,729,771,091
Gains	18	415,815,756	1,191,610,099
Other Non-Operating Income	19	722,032,691	225,629,555
Total Income		**42,944,075,075**	**41,147,010,745**
Expenses			
Personnel Services	20	1,013,020,036	995,204,135
Maintenance and Other Operating Expenses	21	395,668,974	381,805,176
Deposit Claims Pay-out Expenses		471,147,694	219,677,807
Receivership and Liquidation Expenses		272,071,073	249,311,982
Financial Expenses	22	1,947,517,754	3,001,376,347
Non-Cash Expenses	23	28,038,394,295	27,087,896,080
Total Expenses		**32,137,819,826**	**31,935,271,527**
Net Income		**10,806,255,249**	**9,211,739,218**
Other Comprehensive Income for the Period		0	0
Total Comprehensive Income		**10,806,255,249**	**9,211,739,218**

The notes on pages 9 to 38 form part of these statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2021 and 2020

(In Philippine Peso)

	Note	Permanent Insurance Fund	Reserves for Insurance Losses	Retained Earnings	Total
BALANCE AT JANUARY 1, 2020		**3,000,000,000**	**168,736,229,639**	**24,782,541,350**	196,518,770,989
Prior period adjustment				1,762,247	1,762,247
RESTATED BALANCE, JANUARY 1, 2020		**3,000,000,000**	**168,736,229,639**	**24,784,303,597**	**196,520,533,236**
CHANGES IN EQUITY FOR 2020					
Add/(Deduct):					
Additional reserves for insurance losses	23		26,984,637,378		26,984,637,378
Restated Net Income for the period				9,211,739,218	9,211,739,218
Declaration of cash dividends	25			(18,566,114,330)	(18,566,114,330)
RESTATED BALANCE AT DECEMBER 31, 2020		**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		26,438,097,113		26,438,097,113
Net Income for the period				10,806,255,249	10,806,255,249
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**	**17,762,647,205**	**242,921,611,335**

The notes on pages 9 to 38 form part of these statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue		43,523,754,932	41,048,051,732
Collection of Receivables		1,771,806,012	676,067,421
		45,295,560,944	**41,724,119,153**
Cash Outflows			
Payment of Expenses		(1,231,917,783)	(5,766,091,360)
Refund of Insured Deposits		(543,417,553)	(178,623,847)
Grant of Cash Advances		(5,234,550)	(16,419,821)
Payment of Accounts Payable		(22,433,223)	(86,093,443)
Payment of Receivership and Liquidation Expenses		(11,404,977)	(1,298,500)
Payment of Taxes, Duties and Licenses		(104,963)	(42,531)
		(1,814,513,049)	**(6,048,569,502)**
Net Cash Provided by Operating Activities		**43,481,047,895**	**35,675,549,651**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from Matured Investments		**157,631,529,017**	**138,335,208,791**
Cash Outflows			
Purchase/Acquisition of Investments		(193,814,152,295)	(139,775,555,860)
Purchase/Construction of Property, Plant and Equipment		(69,684,349)	(113,887,986)
		(193,883,836,644)	**(139,889,443,846)**
Net Cash Used in Investing Activities		**(36,252,307,627)**	**(1,554,235,055)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Payment of Cash Dividends		(7,109,065,981)	(17,983,021,916)
Payment of Long-term Liabilities		0	(17,517,252,915)
Net Cash Used in Financing Activities		**(7,109,065,981)**	**(35,500,274,831)**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**119,674,287**	**(1,378,960,235)**
Effects of Exchange Rate Changes on Cash and Cash Equivalents		18,630	(7,274)
CASH AND CASH EQUIVALENTS, JANUARY 1		156,175,605	1,535,143,114
CASH AND CASH EQUIVALENTS, DECEMBER 31	3	**275,868,522**	**156,175,605**

The notes on pages 9 to 38 form part of these statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION

NOTES TO FINANCIAL STATEMENTS
For the years ended December 31, 2021 and 2020
(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

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

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

As at December 31, 2021, PDIC's total manpower[1] complement stood at 525 (195 officers and 330 rank and file employees), 514 of whom are of permanent status, two contractual and nine are coterminous. Under the PDIC Charter, as amended by RA No.10846, the President of the Corporation shall be appointed by the President of the Philippines for a term of six years and shall also serve as Vice Chairman of the PDIC Board of Directors, of which four members are appointed by the President of the Philippines, also to serve for six years, and two are ex-officio, the Secretary of Finance and the Governor of the BSP.

The Board of Directors authorized the issuance of the financial statements on June 20, 2022.

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

[1] *Excluding externally provided services by 286 personnel.*

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 also the country's functional currency. All values are rounded to the nearest peso unless otherwise stated.

2.2 Use of judgments and estimates

The preparation of the financial statements in accordance with the 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 acquires as a way of rehabilitating banks and those received as reimbursement of insurance payments and advances to closed banks; and
- The probability of recovery through successful lawsuits as appropriate against relevant parties.

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

The carrying amount of investments as at December 31, 2021 and 2020 are disclosed in Note 4. There was no impairment loss recognized on investments in 2021 and 2020.

a. Impairment of financial assets

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

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

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

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

The carrying amount of loans and receivables as at December 31, 2021 and 2020 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, 2021 and 2020 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 of 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. Deposit Insurance Liability

In accordance with PFRS 9, the Corporation recognizes expected credit losses on deposit insurance provided to member banks as Estimated Liability on Deposit Insurance based on the bank closure forecast determined through the PDIC Bank Failure Prediction Model developed by World Bank.

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 PFRSs which became effective for accounting period beginning on or after January 1, 2021 but has no impact on the accounting policies and financial statements' presentation and reporting of the Corporation:

- Amendment to PFRS 16 on related Rent Concessions provides lessees with an exemption from assessing whether a COVID-19-related rent concession isa lease modification. The practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due onor before 30 June 2021. The amendment is effective for annual reporting period beginning on or after 1 April 2021.

  It requires a lessee to apply the amendment retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment (no restatement of comparatives).

- Amendment to PFRS 9 (Financial Instruments), PAS 39 (Financial Instrument: Recognition and Measurement), PFRS 7 (Financial Instruments –Disclosures), PFRS 4 (Insurance Contracts) and PFRS 16 (Leases) on 'Interest Rate Benchmark Reform – Phase 2 relate to issues that could affect financial reporting when interbank offered rates is replaced with an alternative benchmark interest rate. The amendments are relevant for many entities and those with financial assets, financial liabilities and lease liabilities that are subject to the interest rate benchmark reform and those that apply the hedge accounting requirements in PFRS 9 of PAS 39 to hedging relationship that are affected by the reform. The amendments are effective for annual periods beginning on or after 1 January 2021.

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

- Amendments to PAS 16 Property, Plant and Equipment — Proceeds before Intended Use (effective for annual periods beginning on or after January 1, 2022 with early application permitted). Currently, cost and proceeds from selling items during testing phase reflected in the cost of PPE. The amendments prohibit to deduct from the cost of PPE proceeds from selling items produced before intended use (activation) of PPE.

- 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 with early application permitted).

- PFRS 17 Insurance Contracts will supersede PFRS 4 with key difference on the consistency of application of accounting treatment to areas such as revenue recognition and liability valuation. The standard is effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

- Amendments to PAS 8 definition of Accounting Estimates. Effective for annual periods beginning on or after 1 January 2023. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors as well as to how entities use measurements techniques and inputs to develop accounting estimates.

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
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 agreement. These are initially booked at cost and subsequently measured at cost net of allowance for impairment.

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 statementof comprehensive income. Depreciable assets below the capitalization threshold of ₱15,000 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 10 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

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

The Notes Payable of PDIC is measured at amortized cost.

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 Republic Act No. 3591, as amended. The full capitalization from the NG of ₱3 billion was reached in 1994 with the conversion of the obligations of PDIC to the Central Bank of the Philippines in the amount of ₱977.787 million into equity of the 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 is recognized to the extent that it is probable that the economic benefits will flow into the Corporation and the income can be reliably measured.

Assessments

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

Member banks are assessed a maximum rate of one-fifth of one per cent per annum of the assessment base, which is the amount of liability of the bank for deposits as defined under subsection (a) of Section 7 of Republic Act No. 3591, as amended. This shall in no case be less than P5,000 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.

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 Bangko Sentral ng Pilipinas 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 Service 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 for 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 and Commission on Audit rules and regulations and other applicable laws, rules and regulations.

Accrued leave pay

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

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 recognized as income in profit or loss as part of Rent/Other Income account in the statement of comprehensive income on a straight-line basis over the lease term.

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 alternative chosen must not cost more than the estimated cost of actual pay-out of the insured deposits of the bank and liquidation thereof. The financial assistance to a bank may be in the form of a loan, purchase of assets, assumption of liabilities, placements of deposits, equity or quasi-equity. The grant is upon such terms and conditions as the Board of Directors may prescribe when the grant of financial assistance is essential to provide adequate banking service in the community or maintain financial stability in the economy.

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 (VAT) on assessments collected from member banks, and local taxes starting June 1, 2014. Incomes from other sources are still subject to VAT. 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 theTax Reform for Acceleration and Inclusion 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:

	2021	2020
Cash on Hand	1,412,539	1,558,353
Cash in Bank – Local Currency	154,677,338	90,396,481
Cash in Bank – Foreign Currency	321,644	302,898

	2021	2020
Cash Equivalents	119,457,001	63,917,873
	275,868,522	**156,175,605**

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

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

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

4. INVESTMENTS

This account includes the following:

	2021			2020		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Investment Securities at Amortized Cost	63,723,842,633	194,218,927,763	257,942,770,396	20,512,565,130	202,954,327,485	223,466,892,615
Sinking Fund	22,603,519,823	8,485,818,729	31,089,338,552	14,700,790,817	16,394,912,642	31,095,703,459
Financial Assets at Fair Value Through Other Comprehensive Income	0	12,102,629,550	12,102,629,550	0	12,102,629,550	12,102,629,550
	86,327,362,456	**214,807,376,042**	**301,134,738,498**	**35,213,355,947**	**231,451,869,677**	**266,665,225,624**

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

Investment securities at amortized cost consist of special savings and time deposits, treasury bills, notes and bonds. Interest income from investment securities at amortized cost amounted to ₱ 11.453 billion and ₱11.741 billion in 2021 and 2020.

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

The Certificate of Indebtedness (COI) was issued on 24 September 2021 by the Land Bank of the Philippines to the Corporation in consideration of UCPB Special Preferred Shares. The COI has a tenor of 20 years, interest of 1.75 per cent per annum and an annual payment of principal and interest on or before the 24th of September of each year. The COI was initially measured at face value in the amount of P12 billion upon receipt on September 24, 2021 in consideration of PDIC's proposal for the COI to be part of the payment of PDIC's loans, in the same amount.

The issuer warrants and represents that, upon its issuance and until maturity, the COI shall be fully assignable and negotiable, and shall continue to possess the features and terms provided under the Deed of Absolute Sale.

Preferred shares represent PDIC's subscription to the preferred shares of stock with par value of ₱100 and ₱10 per share issued by two rural banks on December 28, 2017 and September 24, 2018. The subscription to the banks' preferred shares, which are non-voting, cumulative and convertible to common shares, represents the equity component of the financial assistance granted under the Strengthening Program for Rural Banks Plus.

5. RECEIVABLES, Net

This account includes the following:

	2021			Restated 2020		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Loans and Receivable-net	60,932,762	1,153,679,575	1,214,612,337	6,657,091	2,239,778,977	2,246,436,068
Inter-Agency Receivables-net	293,931,414	62,838,296	356,769,710	10,492,523	58,338,296	68,830,819
Other Receivables-net	170,383	0	170,383	220,319	402,408	622,727
	355,034,559	**1,216,517,871**	**1,571,552,430**	**17,369,933**	**2,298,519,681**	**2,315,889,614**

Loans and Receivables

This account includes the following:

	2021			Restated 2020		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Notes Receivable	**2,537,763**	**465,744,394**	**468,282,157**	**2,927,957**	**1,631,920,843**	**1,634,848,800**
Subrogated Claims Receivable	0	64,632,017,255	64,632,017,255	0	64,602,316,882	64,602,316,882
Allowance for Impairment	0	(64,632,017,255)	(64,632,017,255)	0	(64,602,316,882)	(64,602,316,882)
Net Value	**0**	**0**	**0**	**0**	**0**	**0**
Assigned Loans Receivables	0	12,418,981,004	12,418,981,004	0	12,611,245,129	12,611,245,129
Allowance for Impairment	0	(11,856,137,291)	(11,856,137,291)	0	(12,011,951,158)	(12,011,951,158)
Net Value	**0**	**562,843,713**	**562,843,713**	**0**	**599,293,971**	**599,293,971**
Loans Receivable – Others	0	2,610,164,962	2,610,164,962	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**	**4,593,881**	**4,593,881**	**0**	**4,593,881**	**4,593,881**
Receivership and Liquidation Receivable	0	3,251,049,353	3,251,049,353	0	3,065,672,662	3,065,672,662
Allowance for Impairment	0	(3,251,049,353)	(3,251,049,353)	0	(3,065,672,662)	(3,065,672,662)
Net Value	**0**	**0**	**0**	**0**	**0**	**0**
Sales Contract Receivable	1,789,083	120,512,785	122,301,868	3,724,902	4,006,070	7,730,972
Allowance for Impairment	0	(15,198)	(15,198)	0	(35,788)	(35,788)
Net Value	**1,789,083**	**120,497,587**	**122,286,670**	**3,724,902**	**3,970,282**	**7,695,184**
Interest Receivable	56,605,916	0	56,605,916	4,232	0	4,232
Total	**60,932,762**	**1,153,679,575**	**1,214,612,337**	**6,657,091**	**2,239,778,977**	**2,246,436,068**

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

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.

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.

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

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

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

Inter-Agency Receivables

	2021			2020		
	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	293,370,347	58,338,296	351,708,643	0	58,338,296	58,338,296
DBM-Procurement Service	561,067	4,500,000	5,061,067	10,492,523	0	10,492,523
	293,931,414	948,568,438	1,242,499,852	10,492,523	944,068,438	954,560,961
Allowance for Impairment	0	(885,730,142)	(885,730,142)	0	(885,730,142)	(885,730,142)
	293,931,414	**62,838,296**	**356,769,710**	**10,492,523**	**58,338,296**	**68,830,819**

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 refund by the BIR in accordance with the provisions of BIR Revenue Regulation No. 6-2010.

National Government (NG) represents the balance of the share of the NG in insured deposits paid in excess of P250,000 up to P500,000 in bank closures from June 1, 2009 to May 31, 2012 in accordance with the PDIC Charter.

DBM Procurement Service (DBM-PS) represents the revolving fund maintained for the

DBM-PS facility used in the purchase of plane tickets for local travel. This balance also includes advance payments for the procurement of supplies, materials and equipment from PS.

Other receivables

This represents other receivables which includes the following:

	2021			2020		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Due from Officers and Employees	145,448	11,609,363	11,754,811	79,713	8,539,069	8,618,782
Allowance for Impairment	0	(11,609,363)	(11,609,363)	0	(8,539,069)	(8,539,069)
Net Value	**145,448**	**0**	**145,448**	**79,713**	**0**	**79,713**
Receivables-Disallowance andCharges	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	24,935	4,926,139	4,951,074	140,606	4,949,300	5,089,906
Allowance for Impairment	0	(4,926,139)	(4,926,139)	0	(4,546,892)	(4,546,892)
Net Value	**24,935**	**0**	**24,935**	**140,606**	**402,408**	**543,014**
Total	**170,383**	**0**	**170,383**	**220,319**	**402,408**	**622,727**

Aging/Analysis of Receivables

As at December 31, 2021

			Past Due		
Accounts	**Gross Amount**	**Not Past Due**	**< 30 days**	**30-60 days**	**>60 days**
Subrogated Claims Receivables	64,632,017,255	0	0	0	64,632,017,255
Assigned Loans Receivables	12,418,981,004	0	0	0	12,418,981,004
Receivership and Liquidation Receivable	3,251,049,353	0	0	0	3,251,049,353
Loans Receivable - Others	2,610,164,962	0	0	0	2,610,164,962
Inter-Agency Receivables	1,242,499,852	298,431,414	0	0	944,068,438
Notes Receivable	468,282,157	468,282,157	0	0	0
Sales Contract Receivables	122,301,868	120,037,125	0	0	2,264,743
Interest Receivable	56,605,916	56,605,916	0	0	0
Other Receivables	16,797,913	145,369	121	841	16,651,582
	84,818,700,280	**943,501,981**	**121**	**841**	**83,875,197,337**

6. INVENTORIES

	2021	2020
Inventory Held for Consumption		
Balance, January 1	819,296	173,157
Additions/Acquisitions during the year	2,146,658	2,853,138
Expensed during the year	(2,620,960)	(2,206,999)
Balance, December 31	**344,994**	**819,296**

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:

	2021	2020
Carrying Amount, January 1	1,803,715,929	1,825,343,796
Addition/Acquisition	22,807,405	0
Total	1,826,523,334	1,825,343,796
Disposals	(86,412,393)	(22,972,291)
Reversal of Allowance for Impairment Loss	5,530,500	1,344,424
Reclassification	(2,170)	0
Carrying Amount, December 31	**1,745,639,271**	**1,803,715,929**
Gross Cost	2,493,748,446	2,557,355,604
Accumulated Impairment Loss	(748,109,175)	(753,639,675)
Carrying Amount, December 31	**1,745,639,271**	**1,803,715,929**

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.

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 P224,397,341.54 and allowance for impairment of P75,795,615.69, or a net book value of P148,601,725.85. At present one condominium unit and four parking spaces are covered by lease contracts.

8. PROPERTY, PLANT AND EQUIPMENT

This account includes the following:

			2021				
Particulars	**Land**	**Buildings**	**Construction in Progress-Buildings and Other Structures**	**Furniture, Fixtures, Equipment**	**Transportation Equipment**	**Leased Assets Improvements, Buildings**	**Total**
Cost							
At January 1, 2021	26,206,018	145,317,082	137,376,760	173,114,938	28,673,691	864,152	511,552,641
Additions	0	8,035,313	62,811,407	24,626,031	9,540,832	0	105,013,583
Disposals/adjustments	0	0	0	(16,828,278)	(1,603,818)	(0)	(18,432,096)
At December 31, 2021	**26,206,018**	**153,352,395**	**200,188,167**	**180,912,691**	**36,610,705**	**864,152**	**598,134,128**
Accumulated Depreciation							
At January 1, 2021	0	123,942,151	0	110,488,147	17,971,126	864,152	253,265,576
Depreciation/Amortization	0	3,472,402	0	13,957,060	1,903,512	0	19,332,974
Disposals/adjustments	0	1,928,475	0	(9,784,568)	(1,427,535)	(0)	(9,283,628)
At December 31, 2021	**0**	**129,343,028**	**0**	**114,660,639**	**18,447,103**	**864,152**	**263,314,922**
Net book value							
At December 31, 2021	**26,206,018**	**24,009,367**	**200,188,167**	**66,252,052**	**18,163,602**	**0**	**334,819,206**

2020							
Particulars	Land	Buildings	Construction in Progress-Buildings and Other Structures	Furniture, Fixtures, Equipment	Transportation Equipment	Leased Assets Improvements, Buildings	Total
Cost							
At January 1, 2020	26,206,018	145,317,082	31,729,705	157,105,134	28,031,959	864,152	389,254,050
Additions	0	0	105,647,055	18,263,756	3,269,732	0	127,180,543
Disposals/adjustments	0	0	0	(2,253,952)	(2,628,000)	(0)	(4,881,952)
At December 31, 2020	**26,206,018**	**145,317,082**	**137,376,760**	**173,114,938**	**28,673,691**	**864,152**	**511,552,641**
Accumulated Depreciation							
At January 1, 2020	0	120,469,751	0	98,131,506	17,867,710	817,102	237,286,069
Depreciation/Amortization	0	3,472,400	0	14,279,125	2,468,617	47,050	20,267,192
Disposals/adjustments	0	0	0	(1,922,484)	(2,365,201)	(0)	(4,287,685)
At December 31, 2020	**0**	**123,942,151**	**0**	**110,488,147**	**17,971,126**	**864,152**	**253,265,576**
Net book value							
At December 31, 2020	**26,206,018**	**21,374,931**	**137,376,760**	**62,626,791**	**10,702,565**	**0**	**258,287,065**

This account includes Corporate property located at Chino Roces Avenue, Makati City, with appraised value of ₱1 billion for the land and ₱225 million for the building totaling ₱1.225 billion. The area of 246 square meters of the land may be subject to expropriation by the government in view of the Department of Transportation road right of way 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.

	2021	2020
Carrying Amount, January 1	8,552,375	11,003,350
Addition – Purchased	17,261,128	2,958,036
Total	25,813,503	13,961,386
Amortization	(4,446,228)	(5,409,011)
Carrying Amount, December 31	**21,367,275**	**8,552,375**
Gross Cost	153,222,112	135,960,984
Accumulated Amortization	(131,854,837)	(127,408,609)
Carrying Amount, December 31	**21,367,275**	**8,552,375**

10. OTHER ASSETS

This account includes the following:

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Restricted Fund	331,408,684	19,221,942	350,630,626	321,370,038	12,905,653	334,275,691
Prepayments	181,001,984	15,285,186	196,287,170	21,211,981	172,788,479	194,000,460
Deposits	0	34,728,953	34,728,953	0	29,586,273	29,586,273

	2021			2020		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Other Assets	831,146	1,444,750,817	1,445,581,963	828,936	1,444,746,817	1,445,575,753
Accumulated Impairment-Other Assets	0	(1,150,825,906)	(1,150,825,906)	0	(1,178,764,598)	(1,178,764,598)
	513,241,814	**363,160,992**	**876,402,806**	**343,410,955**	**481,262,624**	**824,673,579**

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.

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

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

Other Assets represent unserviceable assets for disposal, various assets acquired from financially assisted and closed banks such as chattels, paintings, stocks and clubshares, etc. 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:

	2021			Restated 2020		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Notes Payable	52,225,504,263	1,988,499,991	54,214,004,254	37,574,249,975	14,694,667,830	52,268,917,805
Insured Deposit Claims Payable	0	0	0	224,532,648	0	224,532,648
Estimated Liability on Deposit Insurance	1,725,257,722		1,725,257,722	0	0	0
Accounts Payable	83,775,298	8,839,094	92,614,392	85,735,482	0	85,735,482
Due to Officers and Employees	88,367,354	1,904,581	90,271,935	57,471,005	0	57,471,005
	54,122,904,637	**1,999,243,666**	**56,122,148,303**	**37,941,989,110**	**14,694,667,830**	**52,636,656,940**

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

The settlement of the loan amounting to ₱39.026 billion has been approved by the PDIC Board on 6 April 2022 through its Resolution No. 2022-04-040 and by the Monetary Board per MB Resolution No. 488 dated 87 April 2022 and subsequent resolutions.

The above balances do not include the amount of principal and interest of ₱ 1.44 billion and ₱ 1.38 billion, respectively, claimed by BSP due to an issue on the interpretation of Section 1.02 in relation to Sec. 1.05 of the Loan Agreement between BSP and PDIC dated

November 21, 2002. Under Section 1.02 of the Loan Agreement, an interest rate of two per cent lower than the interest charged to the underlying government loan accounts assigned by way of dacion to PDIC, shall be paid at the end of the following month after receipt of payment. Section 1.05 of the Loan Agreement also provides that the repayment of the BSP loan shall be sourced from collections from the underlying government loan accounts, among others. Interest charges on the BSP funding are only recognized and remitted to BSP upon actual collection from the underlying government loan accounts.

The matter was elevated by BSP to the Department of Justice (DOJ) for resolution and adjudication and on October 23, 2019, DOJ issued a resolution resolving the issues presented. The PDIC filed on November 8, 2019 its Notice of Appeal with the Office of the President of the Philippines of the DOJ Resolution dated October 23, 2019.

Moreover, the PDIC filed its Appeal Memorandum dated December 9, 2019 for the October 23, 2019 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. On the other hand, the BSP filed its Comment dated January 17, 2020 for the DOJ Office issue and order: (a) declaring the Section 1.05 of the Loan Agreement dated November 21, 2002 is not an Exclusive List; (b) Dismissing the appeal of Respondent; and (c) Upholding the Resolution datedOctober 23, 2019 of the Secretary of Justice.

Estimated Liability on Deposit Insurance represents the total Estimated Insured Deposits of banks forecasted to be closed in the succeeding year plus the balance of validated insured deposits but unclaimed by concerned depositors as reclassified from Insured Deposit Claims Payable. The balance excludes the estimated insured deposit liabilities at P1.29 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. Subsequently, the Court of Appeals nullified the order of closure in September 2020. However, the Decision of the Court of Appeals has not yet attained finality.

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:

	2021			**2020**		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Due to BIR	25,013,767	0	25,013,767	30,049,402	0	30,049,402
Due to GSIS	10,764,376	0	10,764,376	7,864,209	0	7,864,209
Due to Philhealth	842,364	0	842,364	805,532	0	805,532

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Due to Pag-IBIG	219,467	0	219,467	217,890	0	217,890
	36,839,974	**0**	**36,839,974**	**38,937,033**	**0**	**38,937,033**

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

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

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

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

13. TRUST LIABILITIES

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Guarantee/Security Deposits Payable	6,845,471	16,016,284	22,861,755	12,360,572	5,219,254	17,579,826
Customers’ Deposits Payable	1,799,060	56,000	1,855,060	2,630,269	56,000	2,686,269
	8,644,531	**16,072,284**	**24,716,815**	**14,990,841**	**5,275,254**	**20,266,095**

Guaranty/security deposits payable includes security, guarantee deposits and bidders’ performance bond payable.

14. UNEARNED INCOME

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Unearned Income	495,605	35,900	531,505	1,105,329	461,572	1,566,901

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

15. PROVISIONS

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

16. OTHER PAYABLES

This account consists of the following:

	2021			2020		
	Current	Non-current	Total	Current	Non-current	Total
Dividends Payable	6,565,658,103	0	6,565,658,103	4,907,817,208	0	4,907,817,208
Other Payables	5,533,667	0	5,533,667	8,752,832	0	8,752,832
	6,571,191,770	**0**	**6,571,191,770**	**4,916,570,040**	**0**	**4,916,570,040**

Dividends Payable represents dividends due to NG for 2021 income for remittance on the first quarter of the following year.

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

17. BUSINESS INCOME

	2021	2020
Assessment Income	29,812,758,870	27,515,619,478
Interest Income	11,707,905,079	11,938,372,578
Fines and Penalties-Business Income	15,178,136	216,238
Dividend Income	6,331,743	14,778,969
Rent/Lease Income	6,077,101	3,371,628
Other Business Income	257,975,699	257,412,200
	41,806,226,628	**39,729,771,091**

18. GAINS

	2021	Restated 2020
Gain on Sale of Investment Property	185,443,873	6,730,503
Gain on Sale/Redemption/Transfer of Investments	152,748,118	627,536,658
Gain on Foreign Exchange	356,768	0
Other Gains	77,266,997	557,342,938
	415,815,756	**1,191,610,099**

19. OTHER NON-OPERATING INCOME

	2021	2020
Reversal of Impairment Loss	191,830,566	204,857,950
Recoveries	527,941,231	19,083,748
Miscellaneous Income	2,260,894	1,687,857
	722,032,691	**225,629,555**

20. PERSONNEL SERVICES

	2021	2020
Salaries and Wages	442,746,184	442,377,454
Personnel Benefit Contributions	253,179,420	257,376,782
Other Compensation	242,947,019	222,269,167
Other Personnel Benefits	74,147,413	73,180,732
	1,013,020,036	**995,204,135**

20.1 Personnel Benefit Contributions

	2021	2020
Provident/Welfare Fund Contributions	193,757,705	198,169,708
Retirement and Life Insurance Premiums	53,226,923	53,152,425
PhilHealth Contributions	4,849,142	4,802,777
Pag-IBIG Contributions	672,800	605,372
Employees Compensation Insurance Premiums	672,850	646,500
	253,179,420	**257,376,782**

20.2 Other Compensation

	2021	2020
Year-end Bonus	97,537,182	90,187,839
Productivity Incentive Allowances	33,701,281	25,160,177
Representation Allowance	15,038,438	15,201,188
Transportation Allowance	14,783,611	14,893,725
Personnel Economic Relief Allowance	3,325,044	3,205,968
Clothing/Uniform Allowance	3,186,000	3,222,000
Hazard Pay	2,281,415	177,632
Longevity Pay	2,214,965	2,244,030
Overtime and Night Differential	1,814,628	2,008,140
Other Bonuses and Allowances	69,064,455	65,968,468
	242,947,019	**222,269,167**

20.3 Other Personnel Benefits

	2021	2020
Terminal Leave Benefits	49,184,947	47,976,564
Other Personnel Benefits	24,962,466	25,204,168
	74,147,413	**73,180,732**

21. MAINTENANCE AND OTHER OPERATING EXPENSES

	2021	2020
Professional Services	67,378,787	42,420,719
Utility Expenses	60,770,320	53,141,306

	2021	2020
General Services	34,226,505	31,497,175
Supplies and Materials Expenses	9,994,341	7,710,325
Repairs and Maintenance	8,520,669	11,397,360
Communication Expenses	6,969,591	7,290,931
Confidential, Intelligence and Extraordinary	5,846,675	5,282,883
Taxes, Insurance Premiums and Other Fees	3,856,781	3,669,396
Travel Expenses	3,059,399	2,173,850
Training Expenses	2,542,725	1,981,527
Other Maintenance and Operating Expenses	192,503,181	215,239,704
	395,668,974	**381,805,176**

21.1 Professional Services

	2021	2020
Auditing Services	13,361,260	12,722,170
Consultancy Services	7,414,666	3,907,877
Other Professional Services	46,602,861	25,790,672
	67,378,787	**42,420,719**

21.2 Utility Expenses

	2021	2020
Electricity Expenses	54,182,139	46,915,247
Water Expenses	6,588,181	6,226,059
	60,770,320	**53,141,306**

21.3 General Services

	2021	2020
Security Services	21,554,544	20,415,461
Janitorial Services	11,874,599	10,242,702
Other General Services	797,362	839,012
	34,226,505	**31,497,175**

21.4 Supplies and Materials Expenses

	2021	2020
Office Supplies Expenses	6,309,785	4,426,189
Fuel, Oil and Lubricants Expenses	1,384,923	893,917
Semi-Expendable Machinery and Equipment	1,046,551	664,534
Semi-Expendable Furniture, Fixtures and Books Expenses	495,728	619,165
Drugs and Medicines Expenses	317,222	361,450
Medical, Dental and Laboratory Supplies	23,147	423,679
Accountable Forms Expenses	11,975	0

	2021	2020
Other Supplies and Materials	405,010	321,391
	9,994,341	**7,710,325**

21.5 Repairs and Maintenance

	2021	2020
Machinery and Equipment	6,936,941	8,774,888
Transportation Equipment	1,250,822	435,526
Buildings and Other Structures	332,906	1,861,053
Furniture and Fixtures	0	325,893
	8,520,669	**11,397,360**

21.6 Communication Expenses

	2021	2020
Telephone Expenses	3,514,820	3,367,286
Internet Subscription Expenses	2,059,509	1,967,790
Postage and Courier Services	1,395,262	1,955,855
	6,969,591	**7,290,931**

21.7 Taxes, Insurance Premiums and Other Fees

	2021	2020
Fidelity Bond Premiums	2,275,029	2,076,289
Insurance Expenses	1,476,789	1,550,575
Taxes, Duties and Licenses	104,963	42,532
	3,856,781	**3,669,396**

21.8 Travel Expenses

	2021	2020
Travel Expenses – Local	3,059,399	1,696,230
Travel Expenses – Foreign	0	477,620
	3,059,399	**2,173,850**

21.9 Other Maintenance and Operating Expenses

	2021	2020
Rent/Lease Expenses	143,769,294	143,451,709
Litigation/Acquired Assets Expenses	12,576,258	10,885,394
Subscription Expenses	8,365,557	5,994,823
Directors and Committee Members' Fees	6,992,000	8,606,000
Advertising, Promotional and Marketing	2,620,460	303,323
Membership Dues and Contributions to Organization	1,576,010	1,343,165
Printing and Publication Expenses	30,487	40,749

	2021	2020
Documentary Stamps Expenses	0	18,483,351
Other Maintenance and Operating Expenses	16,573,115	26,131,190
	192,503,181	**215,239,704**

22. FINANCIAL EXPENSES

	2021	Restated 2020
Interest Expenses	1,945,086,448	3,000,226,217
Management Supervision/Trusteeship Fees	338,201	333,069
Bank Charges	51,284	34,383
Other Financial Charges	2,041,821	782,678
	1,947,517,754	**3,001,376,347**

23. NON-CASH EXPENSES

	2021	2020
Provision for Insurance Losses	28,011,035,647	26,984,637,378
Depreciation	19,332,974	20,267,192
Amortization – Intangible Assets	4,446,228	5,409,011
Impairment Loss – Other Receivables	2,940,238	50,994
Losses on Foreign Exchange & Notes Payable	639,208	77,531,505
	28,038,394,295	**27,087,896,080**

23.1 Losses

	2021	2020
Loss on Foreign Exchange	139,061	193,045
Other Losses – Notes Payable (Early Extinguishment)	500,147	77,338,460
	639,208	**77,531,505**

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.

In compliance with the requirements of the Bureau of Internal Revenue (BIR) in Revenue Regulation No. 15-2010, hereunder are the information on the taxes, duties and license fees paid in 2021 and 2020:

	2021	2020
Withholding Taxes:		
On Compensation and Benefits	99,815,239	104,953,683
Creditable Withholding Taxes	23,410,315	21,077,910
Final Withholding Taxes	108,636	108,081
Value Added Tax	3,549,616,397	3,279,880,456
Documentary Stamp	0	18,483,351
BIR Annual Registration Fee	500	500
	3,672,951,087	**3,424,503,981**

25. DIVIDENDS TO THE NG

Dividends to the National Government (NG) amounted to ₱6.565 billion and ₱4.907 billion, in 2021 and 2020, respectively, representing 50 per cent of net income from other sources in 2021 and 2020, respectively.

The Memorandum of Agreement (MOA) dated March 14, 2019 with settlement amount of ₱4.066 billion for dividends years 2016-2017; Supplemental MOA dated March 9, 2020 with settlement amount of ₱2.006 billion for dividend year 2018 and 2nd Supplemental MOA dated October 21, 2020 with settlement amount of ₱1.942 billion for dividend year 2019 had been executed between Department of Finance (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 Philippine Financial Reporting Standards, from the dividend base. Remittances under these MOAs in the amount of ₱1.355 billion and ₱6.659 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 5 June 2020 which recommended the commencement of administrative adjudication on the proper interpretation and application of Section 18 of Republic Act 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 ₱2.192 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 ₱2.192 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 29 October 2021 per Board Resolution No 2021-10-136 dated 28 October 2021 representing 50 per cent of P17.93 million 2020 COA adjustments on the favorable changes in expected credit losses in loans and receivables. This resulted to a total of P2.2 billion additional dividend remitted to NG for 2020. These shall be covered by a 3rd Supplemental MOA pending the DOJ opinion.

26. LEASES

The Corporation leased the premises of the Social Security System at Ayala Avenue, Makati City which serves as PDIC's principal office for ₱188.30 million and ₱126.30 million as at December 31, 2021 and 2020, 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 aconsequence of adverse judgments that may be rendered:

Claims for deposit insurance

There are 12 pending cases against the Corporation for payment of deposit insurance in the estimated amount of ₱25.363 million.

Cases subject matter of which are incapable of pecuniary estimation

There are 13 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, 2021, estimated insured deposits up to the ₱500,000 maximum deposit insurance coverage amounted to ₱ 3.09 trillion[2], representing 85.24 million accounts. This is equivalent to 19.81 per cent of the total deposits of ₱15.62 trillion in the banking industry.

27.3 Banks under receivership and liquidation

Closed banks under liquidation by PDIC as of December 31, 2021, stood at 372 exclusive of the 345 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 356[3] closed banks amounted to P48.17 billion and P140.76 billion, respectively. From the total ERVA of P48.17 billion, PDIC has an estimated recovery of P21.83 billion for subrogated claims and P2.97 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] *EID as of December 31, 2021 (September 2021 EID less closures/mergers in the 4th Quarter).*

[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.*

As of December 31, 2020, there were 367 closed banks under PDIC liquidation of which, 361[4] have ERVA of P43.30 billion and liabilities of P141.31 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 is the risk that the loans granted to operating banks needing financial assistance or assigned to PDIC will not be paid or collected when due, and when investing activities are not prudently exercised to consider risk/reward relationships of market factors and established parameters.

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

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

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[4] *This excludes five (5) banks closed in 2020, during the COVID-19 pandemic 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
	2021		
Notes Receivable	468,282,157	468,282,157	0
	2020		
Notes Receivable	1,634,848,800	1,634,848,800	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. Prudent liquidity management requires that liquidity risks are identified, measured, monitored and controlled in a comprehensive and timely manner. Liquidity management is a major component of the corporate-wide risk management system. Liquidity planning takes into consideration various possible changes in economic, market, political, regulatory and other external factors that may affect the liquidity position of Corporation.

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

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

The table below summarizes the maturity profile of the Corporation's financial liabilities as at December 31, 2021 and 2020.

	On Demand	Up to 3 months	> 3 up to 12 months	> 1 up to 5 years
As at December 31, 2021				
Accounts Payable and Due to Officers and Employees	182,886,327	0	0	0
Estimated Liability on Deposit Insurance	1,725,257,722	0	0	0
Notes Payable	1,532,395,917	38,784,607,562	13,440,896,702	0
	3,440,539,966	**38,784,607,562**	**13,440,896,702**	**0**
Restated, as at December 31, 2020				
Accounts Payable and Due to Officers and Employees	143,206,487	0	0	0
Estimated Liability on Deposit Insurance	224,532,648	0	0	0
Notes Payable	1,532,395,917	0	37,574,249,975	12,728,920,854
	1,900,135,052	**0**	**37,574,249,975**	**12,728,920,854**

	> 5 up to 10 years	> 10 up to 20 years	Over 20 years	Total
As at December 31, 2021				
Accounts Payable and Due to Officers and Employees	0	0	0	182,886,327
Estimated Liability on Deposit Insurance		0	0	1,725,257,722
Notes Payable	320,975,448	0	135,128,625	54,214,004,254
	320,975,448	**0**	**135,128,625**	**56,122,148,303**
Restated, as at December 31, 2020				
Accounts Payable and Due to Officers and Employees		0	0	143,206,487
Estimated Liability on Deposit Insurance		0	0	224,532,648
Notes Payable	306,230,998	0	127,120,061	52,268,917,805
	306,230,998	**0**	**127,120,061**	**52,636,656,940**

Capital Management

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

The target ratio is a measure of the capacity of the Corporation to cover anticipated and unanticipated risks in the banking system to enable it to promptly respond to possible insurance calls and financial assistance to banks, as may be warranted, towards maintaining the faith and confidence in the Philippine banking system.

As of December 31, 2021, DIF/EID ratio stood at 7.67 per cent with DIF at ₱242.92 billion over EID at ₱3.16 trillion[5].

[5] *EID as of December 31, 2021*