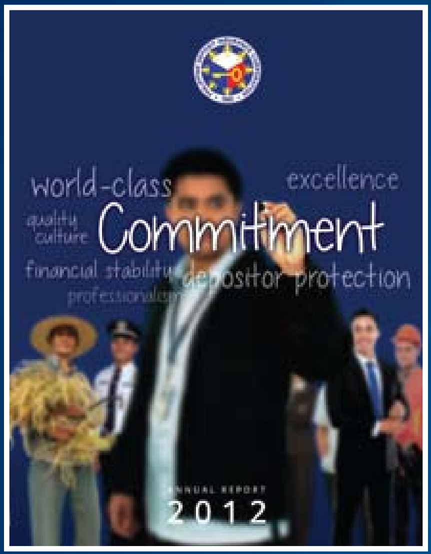
PHILIPPINE DEPOSIT INSURANCE CORPORATION
1963

ANNUAL REPORT 2012



OUR COVER

The main elements apparent in the cover are words and concepts that make up the mission, vision, and core values of PDIC. The background also incorporates both PDIC employees and the key people that represent the different sectors the Corporation serves. The words, "Commitment" and "Service", stand out on the front and back covers respectively, to highlight PDIC's pledge of advocating a strong sense of committed service to the public. Indeed, PDIC has exemplified a service worthy of recognition.

MISSION

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

We shall:

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

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

VISION

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

CORE VALUES

In our commitment to public service, we value:

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

QUALITY POLICY

We commit to deliver world-class service to the depositing public. To achieve this, we shall:

- Implement a quality management system aligned with international standards;
- Provide adequate resources to maintain the quality management system;
- Promote quality culture, good governance and employee empowerment at all levels of the organization;
- Ensure employee competence; and
- Establish programs to maintain continual improvement of services, systems and processes

"Quality is our standard. Public service is our commitment."

CONTENTS

Transmittal Letters 4

Philippine Deposit Insurance System at a Glance 6

Chairman's Message 8

President's Report 10

Highlights of Economic Performance 14

Developments in the Banking System 18

As Deposit Insurer 22

As Co-regulator 32

As Receiver and Liquidator 40

As a Corporate Organization 50

Moving Forward 58

Financial Performance 62

- Independent Auditor's Report 65
- Financial Statements 67
- Notes to Financial Statements 72

Board of Directors 82

Board Committees 84

Executive Committee 86

Management Committee 87

List of Officers 91

PDIC Roll 94

Organizational Chart 96

PHILIPPINE DEPOSIT INSURANCE CORPORATION

VALENTIN A. ARANETA
President

September 2013

HIS EXCELLENCY
PRESIDENT BENIGNO S. AQUINO III
Malacañan Palace, Manila

Through: **Honorable CESAR V. PURISIMA**
Secretary, Department of Finance
Chairman, PDIC Board of Directors

Dear Mr. President:

It is my honor to present the Annual Report of the Philippine Deposit Insurance Corporation (PDIC) for the year 2012. The report highlights PDIC's accomplishments in various areas of operations to provide protection to the depositing public and to promote confidence in the stability of the financial system.

On behalf of the PDIC Board of Directors, Management and staff, I affirm the organization's dedication in the performance of its mandates as Deposit Insurer, Co-Regulator of banks, and Receiver and Liquidator of closed banks.

Very truly yours,

PHILIPPINE DEPOSIT INSURANCE CORPORATION

VALENTIN A. ARANETA
President

September 2013

Honorable FRANKLIN M. DRILON
President of the Philippine Senate

Honorable FELICIANO R. BELMONTE
Speaker of the House of Representatives

Through: **Honorable CESAR V. PURISIMA**
Secretary, Department of Finance
Chairman, PDIC Board of Directors

Dear Gentlemen:

It is my honor to present the Annual Report of the Philippine Deposit Insurance Corporation (PDIC) for the year 2012. The report highlights PDIC's accomplishments in fulfilling its mandates as Deposit Insurer, Co-Regulator of banks, and Receiver and Liquidator of closed banks.

On behalf of the PDIC Board of Directors, Management and staff, I affirm the Corporation's commitment to safeguard the interests of the depositing public and promote financial stability.

Very truly yours,

PHILIPPINE DEPOSIT INSURANCE SYSTEM

AT A GLANCE

The Philippine Deposit Insurance Corporation (PDIC) is a government instrumentality created on June 22, 1963 by Republic Act 3591 entitled, An Act Establishing the Philippine Deposit Insurance Corporation (PDIC), Defining Its Powers and Duties and for Other Purposes (the "PDIC Charter").

PDIC was created to "promote and safeguard the interests of the depositing public by way of providing permanent and continuing insurance coverage on all insured deposits." The PDIC also aims to strengthen the mandatory deposit insurance coverage system to generate, preserve, and maintain faith and confidence in the country's banking system, and protect it from illegal schemes and machinations.

Mandate

Consistent with its public policy objectives, the PDIC has the following mandates:

I. As *State Deposit Insurer*. The Corporation provides deposit insurance of up to Php500,000, the maximum deposit insurance coverage. Member-banks are assessed annually at a flat rate of 1/5 of 1% of their total deposit liabilities. The assessments are collected from member-banks semi-annually and form part of PDIC's Deposit Insurance Fund (DIF).

II. As *Co-Regulator* of banks. The PDIC works closely with the Bangko Sentral ng Pilipinas (BSP) in strengthening the banking system. PDIC is authorized to issue regulations to implement its Charter, conduct bank examinations and investigations to determine banks' financial health and their adherence to rules and regulations on banking and deposit insurance, and extend financial assistance to distressed banks.

III. As *Statutory Receiver and liquidator*. Upon order of the Monetary Board of the BSP, PDIC takes over closed banks; administers their assets, records and affairs; and preserves and disposes these assets for the benefit of the closed banks' creditors. When the Monetary Board orders the liquidation of a bank that has been placed under receivership, creditors' claims against the bank are settled according to the preference and concurrence of credits as provided by the Civil Code of the Philippines.

Membership

Membership with PDIC is mandatory for all banks licensed by the BSP to operate as such in the Philippines:

- Banks incorporated under Philippine laws, such as commercial banks, development banks, savings and loan associations, and rural or cooperative banks

- Domestic branches of foreign banks

Scope of Deposit Insurance Protection

As a rule, PDIC provides deposit insurance of up to Php500,000 per depositor, per bank. It covers all types of bank deposits in member-banks denominated in both local and foreign currencies. As of December 31, 2012, total deposits in the banking system amounted to Php5.8 trillion consisting of 41.8 million deposit accounts. Ninety-seven percent (97%) of the deposit accounts is fully covered by deposit insurance.

PDIC insures valid deposits in domestic offices of its member-banks, as follows:

By Deposit Type:

- Savings
- Special Savings
- Demand/Checking
- Time Deposits

By Deposit Account:

- Single Account
- Joint Account
- Account "By", "In Trust For" (ITF) or "For the Account of" (FAO) another person

By Currency:

- Philippine peso
- Foreign currencies considered as part of international reserves at the BSP

The following bank products are not covered by deposit insurance:

i. Certain bank products such as trust and investment products, bonds and securities, and similar instruments

ii. Deposit accounts or transactions that:

a. Are unfunded, or fictitious or fraudulent

b. Emanated from or constituting unsafe and unsound banking practice/s[1] as determined by the PDIC in consultation with the BSP, after due notice and hearing and publication of PDIC's directive to cease and desist against such deposit accounts/ transactions

c. Are determined to be proceeds of unlawful activity as defined in the Anti-Money Laundering Act (Republic Act 9160, as amended)

[1]***Under PDIC Regulatory Issuance No. 2011-01***, *the PDIC shall deem a deposit-related practice, activity, transaction, or omission to be an unsafe and/or unsound banking practice when it has resulted or may result in:*

1. *Unreasonable delay in the processing or determination of the validity of deposit claims in the event of bank closure; or*
2. *Material loss or damage or abnormal risk to the bank's depositors, creditors, shareholders, or to the PDIC; or*
3. *Material loss or damage or abnormal risk or danger to the safety, stability, liquidity, or solvency of the bank.*

The following activities may be considered unsafe and/or unsound deposit-related practices:

1. *Deposit-related practice/activity/transaction without the approval or adequate controls required under existing laws, rules and regulations;*
2. *Failure to keep bank records within bank premises;*
3. *Grant of high interest rates, when bank has: a) negative unimpaired capital or b) liquid assets to deposit ratio of less than 10% or an operating loss;*
4. *Non-compliance with PDIC regulations; or*
5. *Other deposit-related practices, activities, and transactions that may be identified through appropriate issuances*

“The Philippine Deposit Insurance Corporation (PDIC) played its part in the laying out of the strong foundations of the Philippine economy by expanding and enhancing its capabilities for depositor protection and to help maintain financial stability.”

Chairman’s **Message**

In 2012, the Philippine economy attained a stronger-than-expected 6.8% real GDP growth in spite of a weak global market for its exports. The Philippine growth was driven by new-found confidence in the stability and transparency of the Philippine government which translated into investments and growth in consumer spending particularly in infrastructure, housing and the service industries.

Underpinning the confidence in the economy was the strengthening of government institutions particularly those charged with oversight on the financial system and fiscal prudence.

The Philippine Deposit Insurance Corporation (PDIC) played its part in the laying out of the strong foundations of the Philippine economy by expanding and enhancing its capabilities for depositor protection and to help maintain financial stability. It embarked on acquiring knowledge and techniques to attain the objectives laid out in its five-year Roadmap. The most important objectives of which are to avoid or minimize economic and social disruptions due to bank failures and to improve surveillance, oversight and deterrence against bank fraud and mismanagement.

The Aquino administration banks on the policy that good governance is good economics. In carrying out this policy, it relies on the good performance of the institutions charged with oversight over the proper functioning of the economy and the proper behavior of the participants in the economy.

The PDIC has been among institutions that have stepped up to heed the call of the country and President Aquino to contribute to the sustained and inclusive growth of the economy.

CESAR V. PURISIMA
Secretary of Finance
Chairman, Philippine Deposit Insurance Corporation

President's **Report**

The fiscal year of 2012 was marked by major undertakings towards the strengthening of the organizational foundations of the Philippine Deposit Insurance Corporation (PDIC). At the same time, major operational challenges were addressed arising from the mandates to protect deposits and maintain financial stability. I take this opportunity to cite some of the undertakings of the Corporation that defined its efforts to attain its strategic goals.

Corporate Governance

The Corporation proceeded to pursue the ***Roadmap*** that its Board approved at the end of 2011. The Board Corporate Governance Committee was established and the Committee set the governance standards of the Corporation in synchronization with the guidelines of the Governance Commission for Government Owned or Controlled Corporations (GCG).

Core Principles of Deposit Insurers

The Corporation decided to measure its degree of compliance with the ***18 Core Principles for Effective Deposit Insurance Systems***, which have been adapted by the International Association of Deposit Insurers (IADI) and the Financial Stability Board (FSB) as a standard. The thinking is that by adhering to a globally set standard of principles, the capabilities of the organization are automatically benchmarked with best global practices. To pursue this objective, the IADI Counterpart Assessment Team (I-CAT) was formed with six of its members attending the Regional Workshop on the Assessment of Compliance with Core Principles for Effective Deposit Insurance Systems in Kuala Lumpur, Malaysia in March 2012. Armed with what they had learned from the workshop, the I-CAT pursued the project beyond the end of the year.

Roadmap to 2016

1. Early detection of bank weaknesses and fraud to prevent bank failure
2. Strengthening the organization and enhancing the PDIC's financial and service capabilities
3. Pursuit of legislative agenda
4. Public Engagement
5. Liquidation of non-financial assets

Deposit Insurance Claims Settlement

On the matter of servicing deposit insurance claims, the Corporation reviewed and overhauled the process by which it serviced the deposit insurance claims of

IADI Core Principles for Effective Deposit Insurance Systems

1. Public policy objectives
2. Mitigating moral hazard
3. Mandate
4. Powers
5. Governance
6. Relationship with other safety-net participants
7. Cross-border issues
8. Compulsory membership
9. Coverage
10. Transitioning from a blanket guarantee to a limited coverage deposit insurance system
11. Funding
12. Public awareness
13. Legal protection
14. Dealing with parties at fault in a bank failure
15. Early detection and timely intervention and resolution
16. Effective resolution processes
17. Reimbursing depositors
18. Recoveries

depositors of closed banks since this is the function of the PDIC with the greatest exposure to the public.

As a result of the process review, the Corporation greatly reduced the number of days that it took to start paying deposit insurance to an average of 18 calendar days from the date of the bank closure. This was a substantial improvement compared to the average of 38 days before the process change. The service capabilities of our field units were also greatly enhanced and these units processed an average of 124 claims per day which were more than twice the number of 60 claims per day, used to be handled by a similar unit. This project continued beyond 2012 touching on other customer-handling improvement issues including information technology enhancements.

Prompt payment of the insured deposits of closed banks is very important for two reasons. There is a need for the depositors to have access to their insured deposits as soon as possible. Secondly, financial stability is assured when depositors know that their insured deposits will be paid promptly whenever a bank is closed.

Committed to Serve

In July 2012, all the Group Heads of PDIC had an offsite workshop to agree on a Corporate Philosophy.

After extended deliberations throughout the day, this group of career PDIC officers coming from all the different sectors of the Corporation came up with the Corporate philosophy, "Committed to Serve". This encapsulates the commitment of the PDIC organization to give the best service possible to its stakeholders. The officers and staff of PDIC regard the public as their "boss" whom they are committed to serve.

Uniform Core Banking System

In the course of its examinations and review of closed banks, the Corporation recognized the need of the smaller rural banks for functioning and cost-effective computer systems to be competitive and to comply with the regulatory requirements. However, computer systems can be relatively expensive to acquire and maintain which oftentimes are well beyond the scale of the smaller banks. Thus, PDIC together with the support of the Bangko Sentral ng Pilipinas (BSP), sponsored a study for the "Adoption of a Uniform Core Banking System for Rural Banks". This study was funded by the Asian Development Bank and was finished at the end of the year and participated in and appreciated by the members of the Rural Bankers Association of the Philippines. This study would need to move into more advanced stages in order to come out with concrete results. However, as a result of the study and experience, the recognized need for a cost-effective, compliant and scalable core banking system is by itself a useful guide for decision-making for policy makers as well as the bankers themselves.

Public Awareness

The public awareness effort of PDIC is aimed to fully inform all stakeholders of the existence and coverage of deposit insurance as well as the other depositor protection and financial stability functions of PDIC. It is believed that keeping the public well informed of

the existence and functions of PDIC is in itself already a depositor protection and stabilizing function. Throughout the year, the Corporation engaged the public and other stakeholders through press briefings and statements, Interviews with print and broadcast media and by speaking at public fora of bank associations and other organizations. The Corporation was also active in the international fora by participating in the IADI-sponsored conferences as resource speakers or panelists – sharing the PDIC experience in depositor protection and in handling deposit insurance claims.

Compendium of PDIC Regulatory Issuances and Related Bulletins

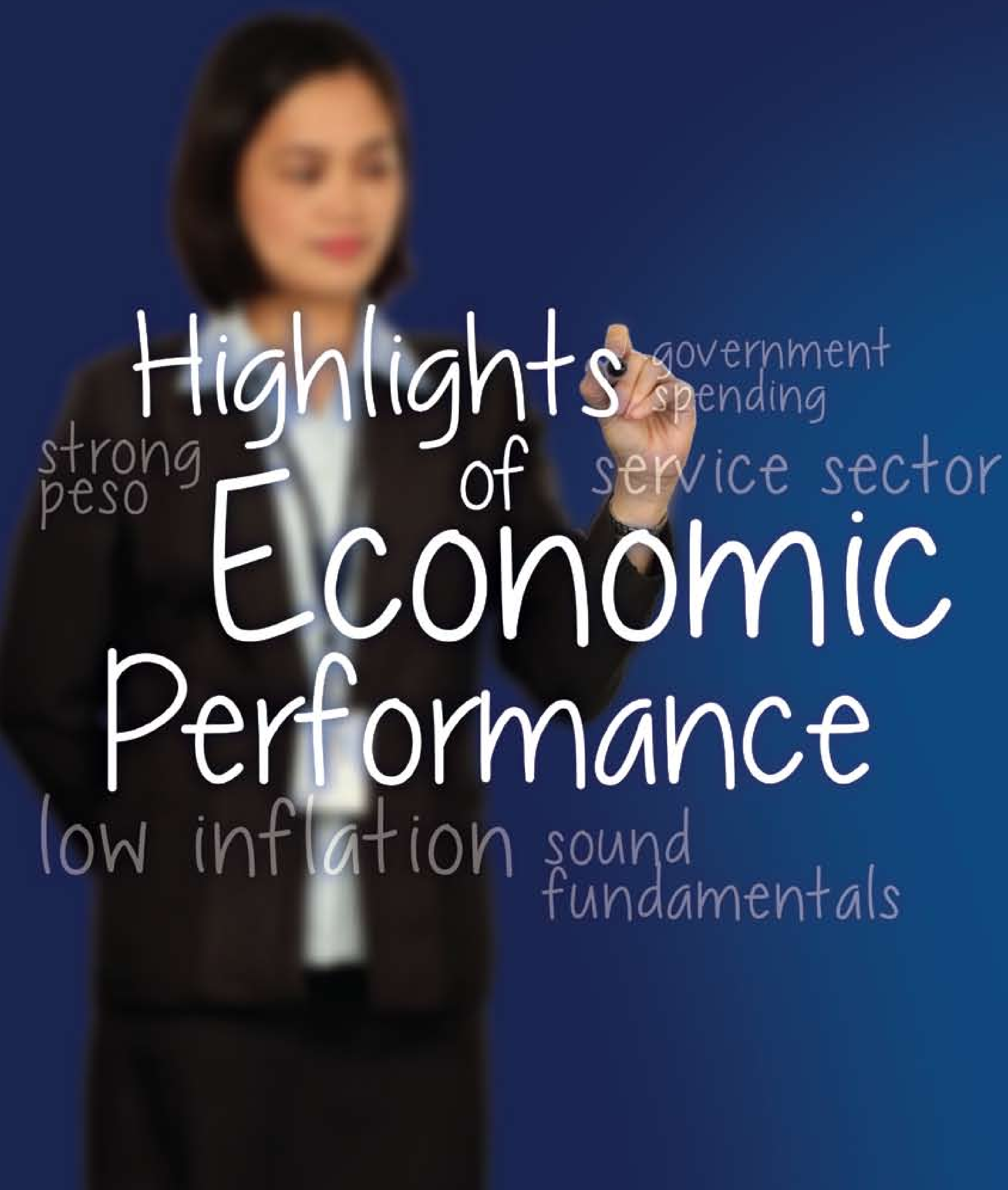
At the end of the year, PDIC gave out folders of its Compendium of Regulatory Issuances (RIs) and Related Bulletins to member-banks in three ring binders. The functionality of this Compendium is that new RIs and Bulletins and amendments can be added or inserted to replace the amended RIs or pages. This Compendium was also made available and downloadable from the PDIC website. It is an easy-to-use reference for member-banks to comply with PDIC's rules and regulations.

The Compendium may not seem to be a major project, however, it reflects a concrete manifestation of the value of the Corporate philosophy, "Committed to Serve". This slogan defines the commitment and the way the PDIC's workforce will measure up to and attain the Roadmap of the Corporation.

Moving forward to its 50th year in 2013, the PDIC aims to sustain its accomplishments and commits to continue to strive for excellence in carrying out its mandates to serve the depositing public.

VALENTIN A. ARANETA
President

Highlights of Economic Performance



The Philippine economy recorded a significant growth for the year 2012. The gross domestic product (GDP) grew by 6.8% in real terms from 3.6% in 2011 and above the government forecast of 5% to 6%. Sound macroeconomic fundamentals, increased government spending and a vibrant private sector were behind the accelerated growth.

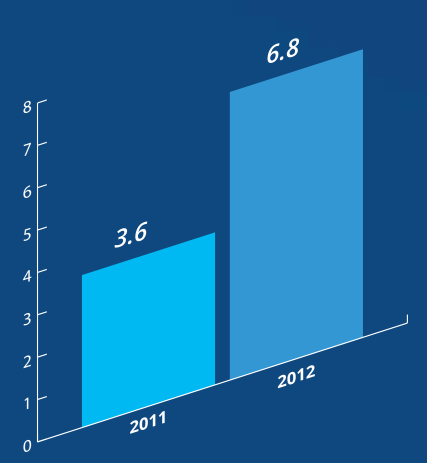
Performance by Sectors

The economic performance was broad-based, bannered by the service sector which expanded by 7.6% compared with 4.9% the previous year. The industry sector grew by 6.8%, a robust increase from the 1.8% growth in 2011 while the agriculture sector posted a modest growth of 2.8%, from the 2.6% recorded a year ago.

The service sector was buoyed by the strong performance of all service sub-sectors, led by transport, storage and communication (9.1%), real estate, renting and business activities (7.9%); and financial intermediation (7.8%). Robust growth in communication, and land and water transportation modes contributed to the strong showing of the transport and communication sub-sector. Higher demand for office and manufacturing spaces due to sustained investment inflows boosted the real estate sub-sector with strong support from the growing middle class and a booming tourism industry. Meanwhile, greater demand for insurance coverage as well as increased volume of banking and non-banking transactions lifted financial intermediation activities.

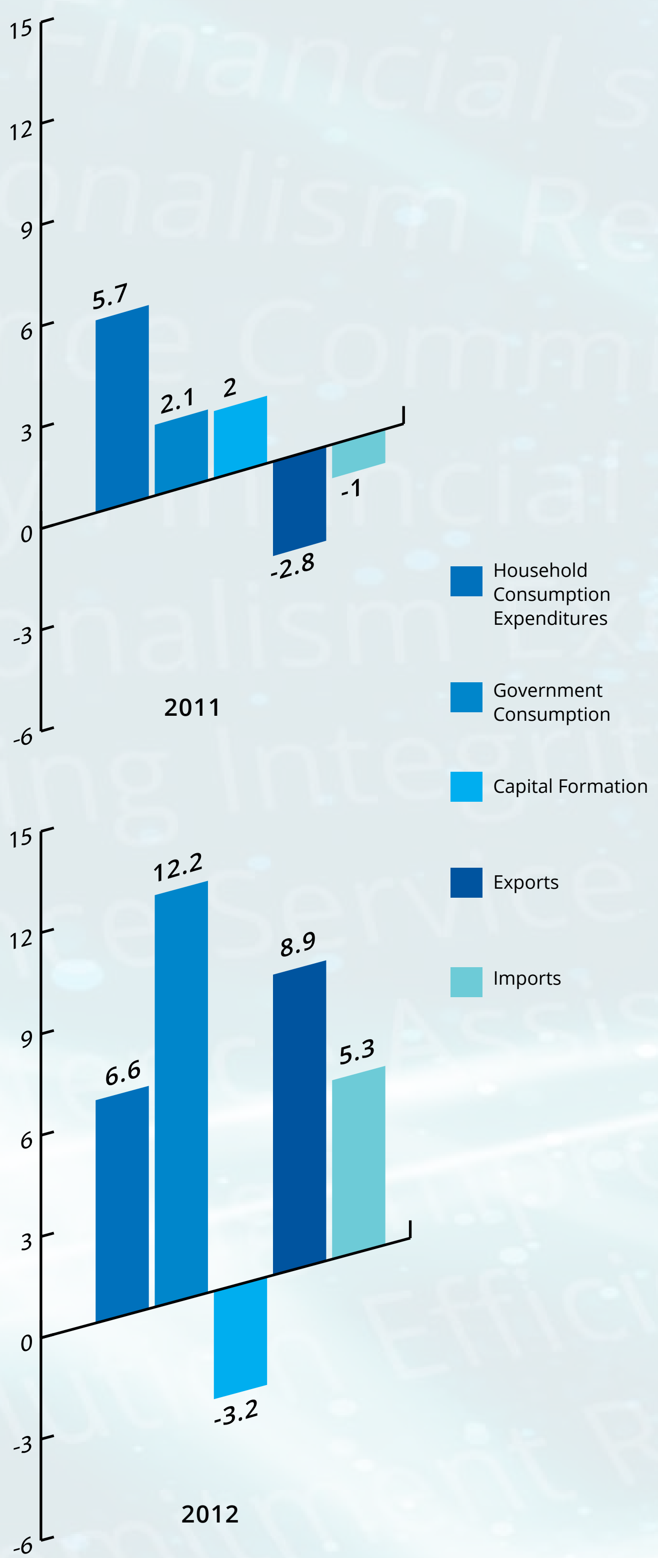
The growth in the industry sector was largely contributed by the construction sub-sector at 14.4%; manufacturing at 5.4%; and electricity, gas and water supply at 5.1%. The stimulus provided by the government boosted spending in public construction while upbeat economic activities stimulated private construction. Manufacturing expanded significantly because of the following industries: wearing apparel; furniture and fixtures; wood, bamboo, cane and rattan articles; and office, accounting and computing machinery.

Growth Rate of Gross Domestic Product (in %)



Growth Rate of Gross Domestic Product by Industrial Origin (in %)

Growth Rate of Gross Domestic Product by Expenditure Shares (in %)



The performance of the agriculture sector was mainly driven by the growth in major crops and poultry but weighed down by other crops and fishing. Pineapple led the growth in the sub-sector, expanding by 24.8%, followed by palay (14.7%), cassava (10.9%), corn (6.9%), and poultry (5.3%). The strong showing of these crops can be attributed to yield improvement, expansion of harvest areas and lesser incidence of pests and diseases. Rubber, coconut and sugarcane, however, pulled down agricultural performance as outputs significantly declined on account of adverse weather conditions, crop shifting, and declining prices. Fishing also contracted largely due to the implementation of fish moratorium and the high cost of fishing operations.

On the demand side, growth was fuelled by the acceleration in government consumption at 12.2% from 2.1% in 2011, and household consumption at 6.6%, from the 5.7% growth recorded in 2011. Exports likewise grew at 8.9% as against the previous year's negative growth of 2.8% while imports increased by 5.3% from a contraction by 1.0% in 2011. On the other hand, capital formation declined by 3.2% from a growth of 2.0% last year.

Government consumption was boosted by the completion of various flagship programs and projects as well as the adjustments in salaries of government personnel with the continued implementation of the Salary Standardization Law (SSL). Household consumption was buoyed by robust spending on health at 11.8%, followed by communication (9.6%), and recreation (9.1%).

Meanwhile, exports still managed to expand amid the continued weaknesses of the US and European markets. Higher export receipts from principal fishing products which rose 18.7% and other export items which increased by 31.2% compensated for the slump in the exports of electronics, apparel and agricultural products.

Capital formation was propelled by an upsurge in investments on transport equipment, machinery for particular industries, and general industrial machinery.

Prices and Interest Rates

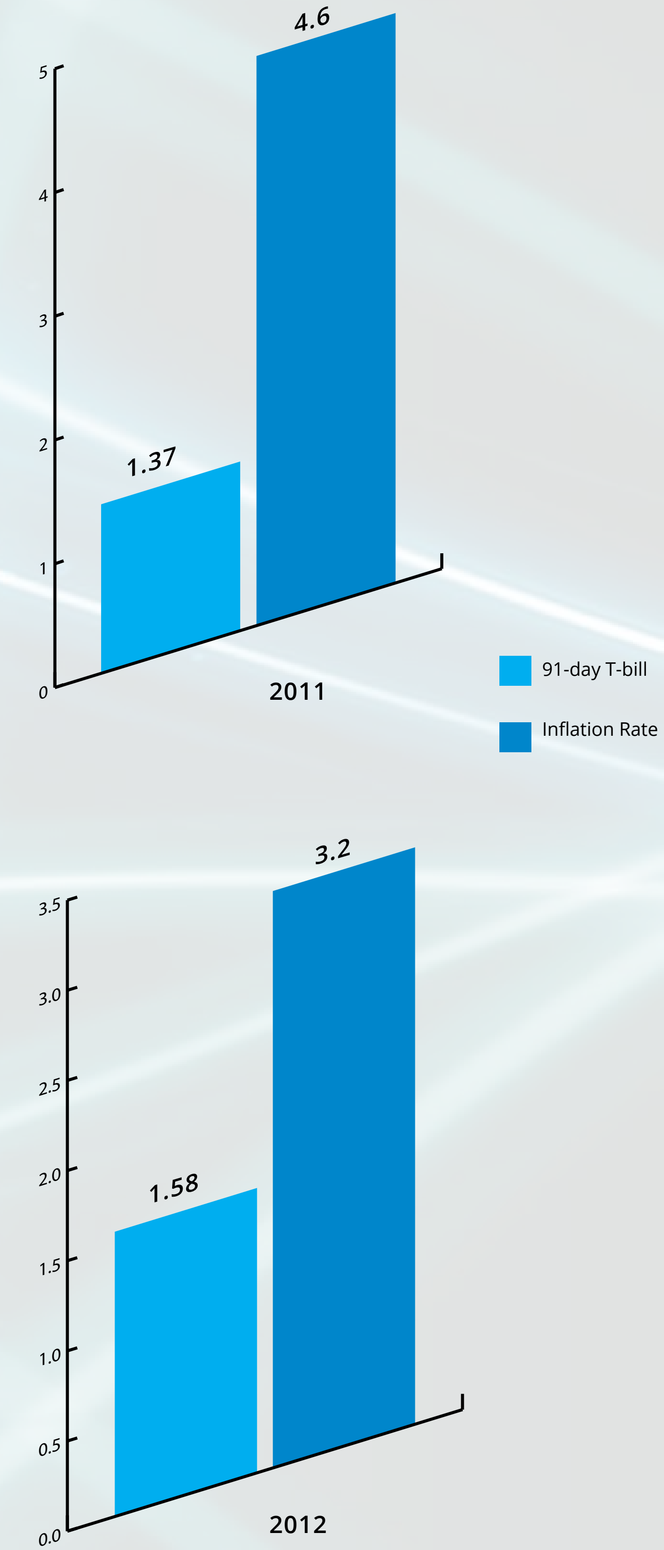
Price movement remained stable as a result of the strong peso and slowdown in the average prices of some heavily-weighted commodity items. The inflation rate remained at single digit throughout the year, averaging 3.2% and at the low range of government forecast of 3% to 5%. The rate was the lowest since 2007 as a result of slower increase in the price indices of food and non-alcoholic beverages; alcoholic beverages and tobacco; housing, water, electricity, gas, and other fuels.

The bellwether 91-day Treasury bill rate averaged 1.58% – slightly up from the average of 1.37% in 2011 – on the back of steady inflow of portfolio investments, benign inflation outlook and credit rating upgrade for the Philippines. The T-bill rate is the barometer used by banks to price their short-term loans.

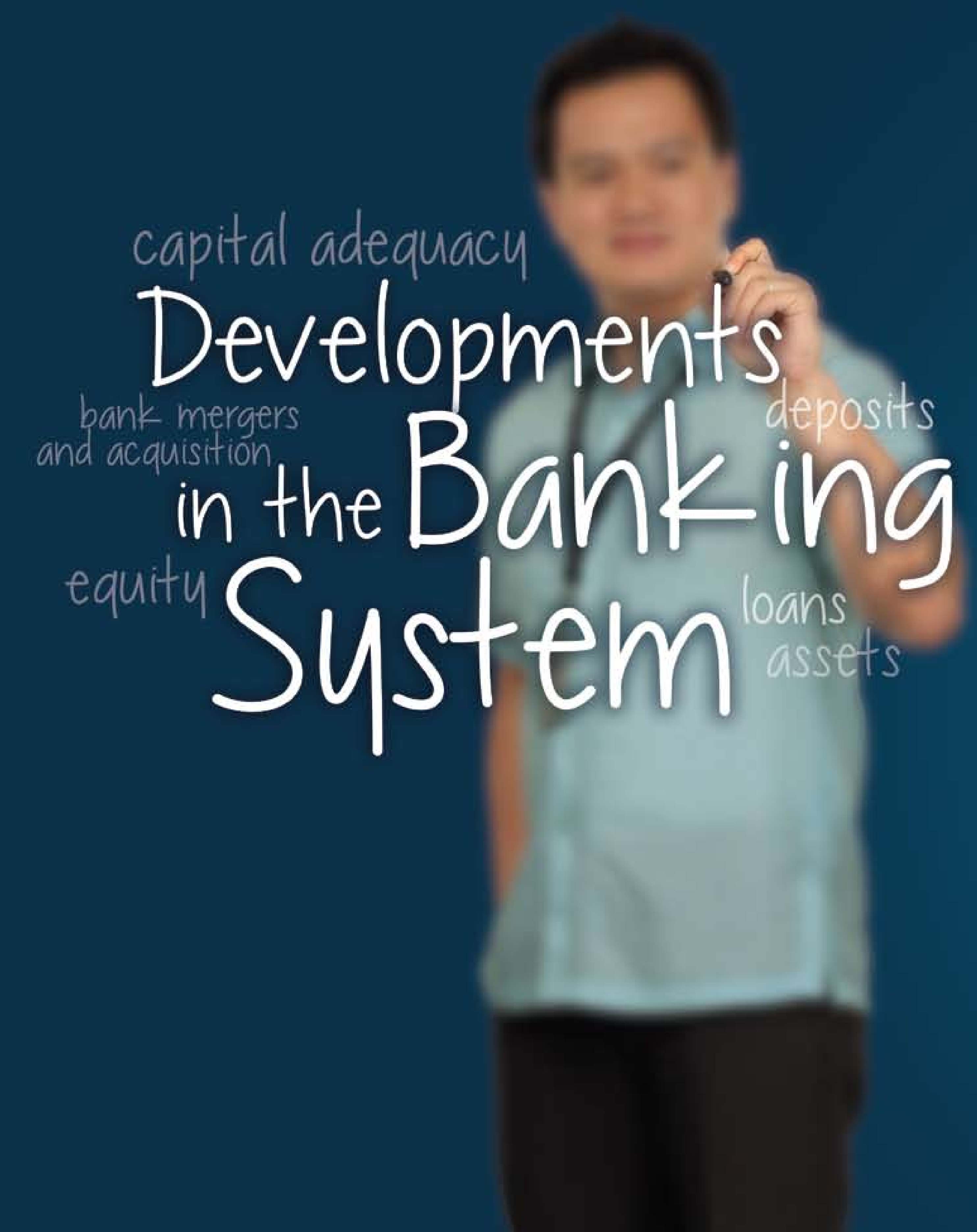
Meanwhile, the peso strengthened against the dollar, averaging Php42.23/USD1 in 2012 and appreciating by 2.5%. Low inflation regime, ample liquidity, strong economic growth, and credit rating upgrade contributed to the stronger peso.

Overall, fundamentals remained very strong and served to help propel the domestic economy toward a sustained growth over the medium-term.

Inflation, 91-day T-Bill and Inflation Rates (in %)



Developments in the Banking System



The Philippine banking system continued to be sound and stable with sustained growth in loans and deposits, improved levels of capital adequacy, asset quality and profitability.

Assets and Liabilities Growth Rates

Account	Amounts (in Billion Php) 2011	2012	Growth Rate (in %)
Total Assets	**7,347.81**	**8,052.00**	**9.6**
Gross Loans	3,768.79	4,230.54	12.2
Total Liabilities	**6,415.36**	**6,994.71**	**9.0**
Total Deposits	5,378.66	5,755.05	7.0

Deposit Growth Rates

Account	Amounts (in Billion Php) 2011	2012	Growth Rate (in %)
Total Deposits	**5,378.66**	**5,755.05**	**7.0**
Demand & Now Deposits	1,074.89	1,154.98	7.5
Savings Deposits	2,591.53	2,794.58	7.8
Time/Long-Term Negotiable Certificate of Deposits	1,712.23	1,805.48	5.4

Gross loans expanded by 12.3% to Php4.2 trillion in 2012 from Php3.8 trillion in 2011. The loan growth was primarily attributed to lending to the following sectors: financial intermediation; real estate, renting and business activities; manufacturing; wholesale, retail, trade and repair; and others. These largely accounted for the growth in total assets of the banking system from Php7.3 trillion to Php8.05 trillion, registering a growth of 9.6%.

The loan expansion was supported by deposit growth. Total deposits grew by 7.0% from Php5.4 trillion to Php5.8 trillion in 2012. The growth was brought about by the increase in the total deposits of all bank types. Commercial banks posted the highest deposit growth at 7.2%, followed by thrift banks at 6.7%, and rural banks at 1.3%. Commercial banks continued to account for the lion's share of deposits, with its share increasing to 88.6% from 88.4%. The share of thrift banks was maintained at 9.2%, while the share of rural banks posted a slight decline from 2.3% to 2.2%.

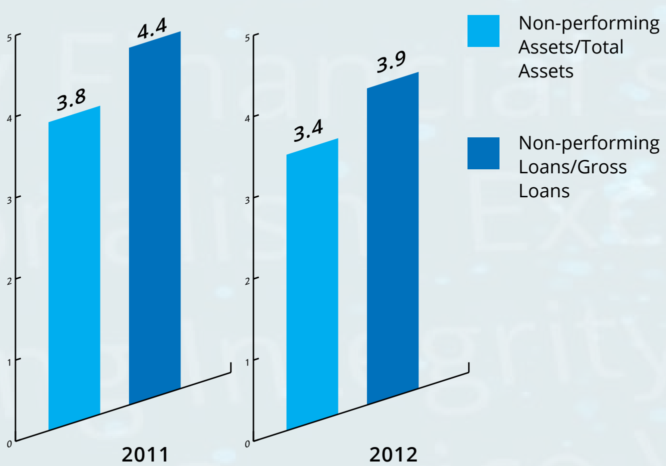
All deposit types posted increases in their respective growth rates. Savings posted the biggest increase of 7.8% to Php2.8 trillion from Php2.6 trillion in 2011. This was followed by Demand & Now Deposits which grew 7.5% to Php1.2 trillion from its previous level of Php1.1 trillion. Lastly, Time/Long-Term Negotiable Certificate of Deposits increased 5.4% to Php1.8 trillion from Php1.7 trillion in 2011.

Risk-based capital adequacy of banks improved as the banking system's average capital to risk assets rose from 16.9% in 2011 to 17.4%. This is above the 10.0% regulatory requirement of the Bangko Sentral ng Pilipinas (BSP) and much higher than the 8.0% international standard required by the Bank of International Settlements (BIS). The ratio improved from 16.7% to 17.3% for commercial banks and from 17.6% to 17.8% for thrift banks. On the other hand, the ratio for rural banks declined slightly from 19.5% in 2011 to 18.7% in 2012.

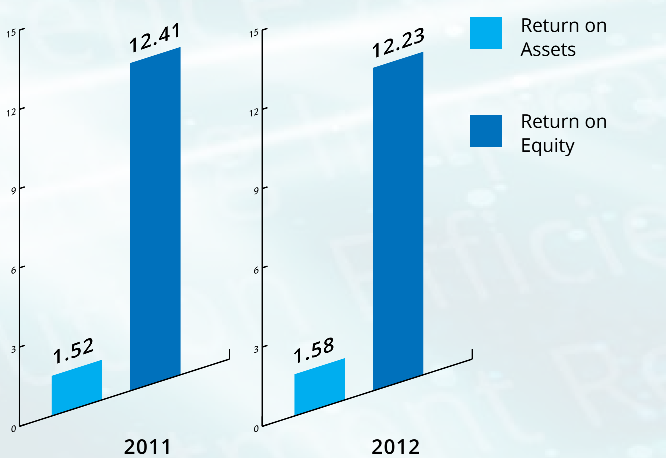
Asset quality of banks continued to improve. The ratio of non-performing assets (NPAs) against total assets stood at 3.4% as of yearend compared to the 3.8% ratio registered

Ratios (in %)	2011	2012
Capital/Risk Assets	16.3	17.3
Total Qualifying Capital/Total Risk-Weighted Assets	16.9	17.4
Gross Problematic Assets/Capital	31.4	26.7

Ratio of Non-performing Assets and Non-Performing Loans (in %)



Return on Assets and Equity (in %)



in 2011. Meanwhile, the banking system's asset quality as measured by the non-performing loans (NPLs) ratio against gross loans went down to 3.9% from 4.4%.

Overall profitability level remained strong. The banking system's total profit after tax rose by 12.2% to Php121.7 billion from Php108.4 billion in end-2011. Bank profitability was healthier in terms of banks' return on assets (ROA) ratio which improved slightly from 1.5% to 1.6%, largely driven by commercial banks. Meanwhile, banks' return on equity (ROE) posted a minor decline as it went down to 12.2% from its previous growth of 12.4%. The decrease was mainly due to the decline in the respective ROEs of thrift banks and rural banks.

The Philippine banking system continued to be stronger and more fortified through consolidation of various banks and exit of some members. From a total of 726 banks operating in 2011, the number of players went down to 696 in 2012. There were 24 banks that were closed by the Monetary Board in 2012, lower than the previous year's 29 due to implementation of strengthening initiatives for banks to merge and consolidate. Four banks merged during the year while eight banks were involved in four consolidations. There was also one acquisition of a thrift bank by a commercial bank.

The 24 banks closed in 2012 were composed of 23 rural banks and one commercial bank. Collectively, the banks closed during the year had 97 banking units.

Insured deposits of the 24 banks were estimated at Php4.5 billion, 65.4% or Php8.5 billion lower than the Php13.0 billion insured deposits of banks closed in 2011. This decline is attributed to the fact that five more banks were closed in 2011. Number of deposit accounts of the closed banks tracked this trend, dropping from 281,453 in 2011 to 122,896 in 2012.

However, the combined 97 banking units of the 24 banks closed in 2012 was lower than the 125 aggregate banking units of the 29 banks closed in 2011. Fifteen of the 24 closed banks in 2012 had head offices located in Luzon, five in the Visayas and four in Mindanao.

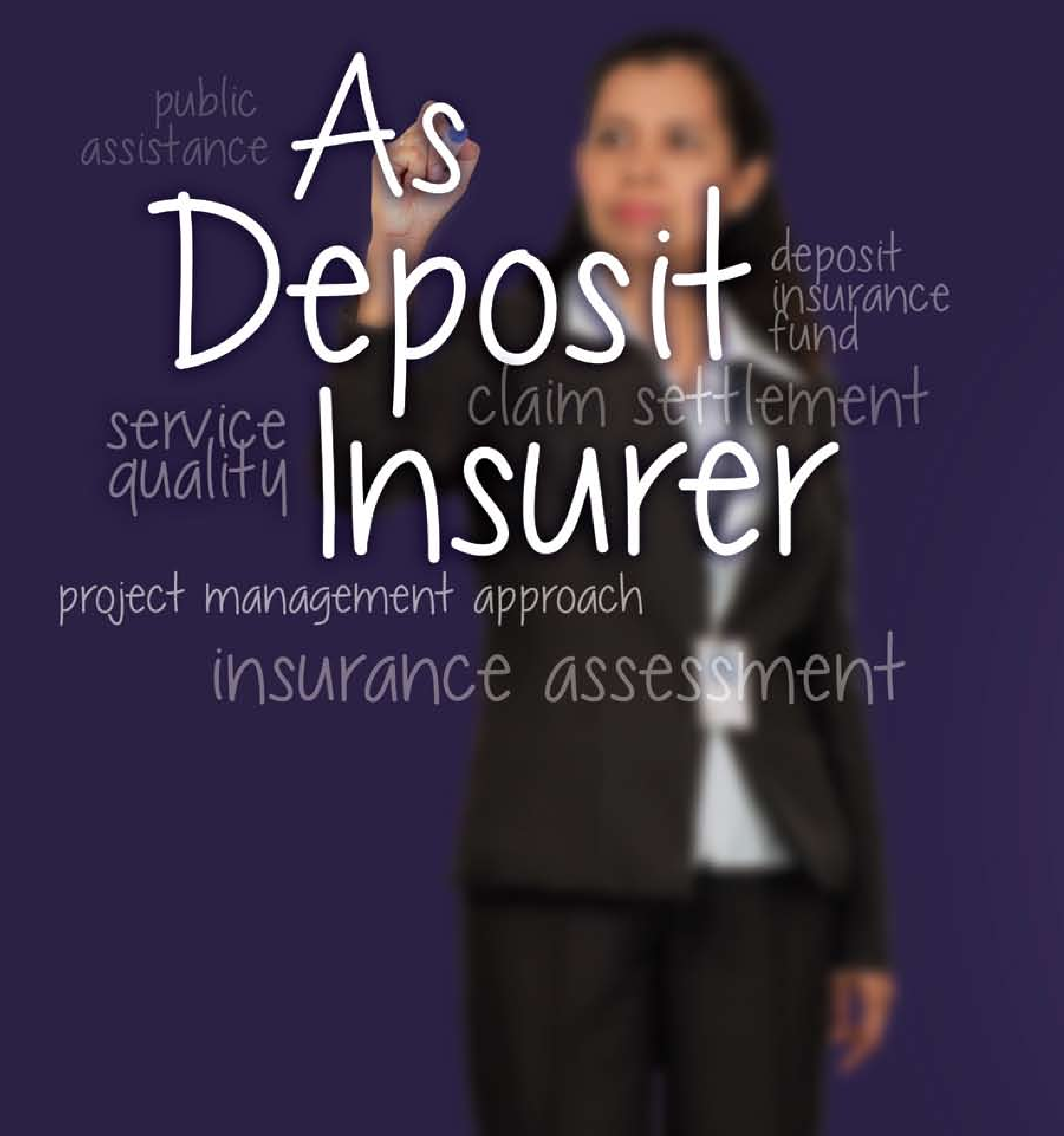
Despite the decrease in the number of operating banks, the banking system's network, composed of head offices and branches, grew by 4.1% to 8,657 from 8,303 in 2011. This showed that the banking sector continued to exhibit resilience and stability. Indeed, the banking system is poised for more growth opportunities and is expected to continuously hurdle future challenges to meet the demand for more banking services in the light of an economy with bright prospects.

Closed Banks in 2012

	Bank Name	Date of Closure	No. of Branches/ Banking Units	Deposit Liabilities (Amount)	Estimated Insured Deposits (Amount)
1.	Rural Bank of Luna (La Union), Inc.	01/20/2012	3	328,468,966.02	270,970,523.55
2.	Cooperative Bank of Iloilo	01/20/2012	1	130,825,566.27	121,354,093.73
3.	Rural Bank of Nasugbu, Inc.	01/26/2012	1	179,085,867.79	128,035,374.52
4.	Rural Bank of Gigaquit (Surigao Del Norte), Inc.	02/02/2012	1	42,761,386.53	35,399,956.52
5.	First Provincial Bank, Inc. (A Rural Bank)	04/19/2012	4	171,687,434.65	165,189,937.88
6.	Export & Industry Bank, Inc.	04/26/2012	50	13,743,844,024.95	2,338,767,066.52
7.	New Rural Bank of Tagkawayan, Inc.	05/17/2012	8	426,399,603.22	294,591,932.62
8.	Millennium Bank, Inc. (A Rural Bank)	05/24/2012	1	32,190,499.26	31,111,300.86
9.	Rural Bank of Banayoyo (Ilocos Sur), Inc.	05/31/2012	1	4,827,439.47	4,827,439.47
10.	Rural Bank of Javier (Leyte), Inc.	06/07/2012	1	10,983,878.13	7,195,047.46
11.	Banco Batangan (A Rural Bank), Inc.	06/21/2012	2	110,564,012.63	109,606,265.11
12.	Rural Bank of Naguilian (La Union), Inc.	06/28/2012	2	217,633,586.05	201,905,143.28
13.	Rural Bank of Badiangan (Iloilo), Inc.	07/05/2012	1	24,240,023.16	24,137,999.20
14.	Rural Bank of M'lang (Cotabato), Inc.[2]	07/19/2012	1	1,228,472.09	1,228,472.09
15.	Rural Bank of Valencia (Bukidnon), Inc.	07/27/2012	1	17,818,236.45	17,418,338.65
16.	Rural Bank of Victoria (Oriental Mindoro), Inc.	08/02/2012	1	131,787,614.32	104,695,569.93
17.	Rural Bank of Taft (Eastern Samar), Inc.	08/09/2012	1	8,304,201.23	8,065,926.66
18.	Rural Bank of Balete (Aklan), Inc.	08/16/2012	2	64,071,620.26	63,794,696.47
19.	Rural Bank of Tagaytay City (Cavite), Inc.	09/20/2012	2	266,822,294.39	130,044,727.41
20.	Sto. Rosario Rural Bank (Batangas), Inc.	10/04/2012	3	197,181,547.52	135,497,782.01
21.	Siam Bank (A Rural Bank), Inc.[3]	11/22/2012	5	148,756,216.92-	134,549,059.70
22.	Ilocandia Community Bank, Inc. (Rural Bank of Pasuquin Since 1973)	11/22/2012	3	55,460,190.23	51,878,949.21
23.	Rural Bank of Dasmariñas (Cavite), Inc.	11/29/2012	1	142,356,132.88	84,977,469.83
24.	Rural Bank of Bangar (La Union), Inc.[2]	12/19/2012	1	21,369,443.08	21,246,900.04
	TOTAL		**97**	**16,478,668,257.50**	**4,486,489,972.72**

[2] Bank officers refused to turn over bank records to PDIC as Receiver.
[3] Claims settlement operations were carried out in January 2013.

As Deposit Insurer



Central to PDIC's commitment to public service, as Deposit Insurer, is to provide deposit insurance on all valid deposits of member-banks and in the event of bank closure, to ensure that all valid deposit insurance claims are paid at the soonest possible time. Aligned with this commitment are the Corporation's public policy objectives to promote depositor protection and maintain financial stability. To carry these out, the PDIC continuously innovates and improves deposit insurance claims processing to enhance its delivery of services.

On the other hand, the PDIC also strongly believes that an adequate Deposit Insurance Fund (DIF) reinforces depositor confidence in the stability of the banking system.

Assessment

The Corporation assesses all member-banks a flat rate of 1/5 of 1% per annum of their total deposit liabilities. Insurance assessments are collected every semester based on Regular Certified Statements filed by member-banks showing the amount of assessment base, i.e., average deposit liabilities as of end March and June for the 1st semester payable not later than 31 July and as of end September and December for the 2nd semester, payable not later than 31 January of the following year. Assessment collections are added to the DIF to build up its adequacy level in order to enable prompt payment of claims for insured deposits in case of bank closure.

Total assessments collected from member-banks during the year amounted to Php10.3 billion[4], 4.0% higher than the Php9.8 billion assessment fees collected in 2011. This is due to the expansion of total deposit base in the banking system to Php5.8 trillion this year from Php5.4 trillion in 2011.

[4] *Net of assessment deficiencies collected after audit of covering Regular Certified Statements filed by member-banks during previous or reference semesters.*

Of the total deposits, 28% or Php1.6 trillion and 97% or 40.5 million, in terms of amount and accounts, respectively, were fully insured at the maximum deposit insurance coverage of Php500,000.

Of the total assessments collected, about Php9.1 billion or 88.2% represented assessment collections paid by commercial banks which had total deposit liabilities of Php5.1 trillion as of yearend. Assessments collected from thrift banks, which had Php529.8 billion in total deposits, accounted for Php956.4 million or 9.3% of the total assessments collected by PDIC. Rural banks with total deposits of Php127.7 billion paid Php255.5 million, or 2.5% of the total assessments collected.

The PDIC conducts periodic audits on member-banks to validate the accuracy of assessment payments made.

Deposit Insurance Fund

The DIF stood at Php84.2 billion as of yearend, Php8.6 billion or 11.3% more than the Php75.7 billion recorded in the same period last year. Net income after tax of Php4.5 billion together with additional reserves for insurance losses of Php4.8 billion reduced by dividends to the National Government of Php655.5 million and the Php102.4 million unrealized loss on mark-to-market valuation of securities accounted for the increase in the DIF.

AS DEPOSIT INSURER

The DIF is the capital account of the PDIC which consists principally of the Permanent Insurance Fund at PhpP3.0 billion, reserves for insurance losses at Php65.1 billion and retained earnings at Php10.3 billion. The DIF represents the capacity of PDIC to cover anticipated and unanticipated losses arising from bank failure resolutions. As of yearend, the DIF is at 5.3% of the total estimated insured deposits in the Philippine banking system.

The DIF is invested in Philippine government securities and government guaranteed instruments as prescribed in the PDIC Charter.

The Corporation started implementation of the recommendations of the consultant under the World Bank technical assistance grant on the Enhancement of Insurance Reserves Targeting (IRT) Framework. The project aimed to improve the assessment of the adequacy of the DIF. The recommendations included targetting a 5% adequacy level of the DIF against total estimated insured deposits in the banking system. The Financial Sector Reform and Strengthening (FIRST) Initiative, a multi-donor grant facility providing technical assistance to promote financial sector strengthening, funded the project. The World Bank administers the FIRST Initiative on behalf of the donors.

Claims Settlement

With the aim of alleviating the plight of depositors of closed banks by ensuring minimal disruption in their lives due to bank closures, the Corporation continued to streamline, enhance and simplify procedures for the validation of accounts as well as the requirements and processes in the filing and processing of deposit insurance claims. Providing immediate relief to depositors by way of immediate access to their deposit insurance helps sustain confidence in the banking system and trust in the stability of the financial system.

In November 2012, the ceiling for the waiver of the requisite filing of deposit insurance claims was increased to valid accounts with balances of up to Php15,000, from last year's cap of Php10,000. The waiver affords depositors automatic payment of the deposit insurance without need for filing of claim, provided that the depositor has a complete address in the bank records, or has updated through the Mailing Address Update Form provided by the PDIC, and must not have any obligation with the closed bank. Payment under the automatic payment scheme is in the form of postal money orders which are directly mailed to the depositors concerned and may be readily encashed with either the local post offices or any branch of the Land Bank of the Philippines.

The increase in the ceiling for waiver of claims is expected to benefit an average of about 76% on the average of the total number of depositors in a closed bank. The previous ceiling of Php10,000 covered 71% of total deposit accounts.

Payments made during the year aggregated Php6.4 billion for 116,728 accounts. Of this total, Php3.6 billion involving 89,496 accounts pertained to banks whose claims settlement operations started in 2012. This brought total payments made by PDIC to P57.7 billion for 2,233,452 accounts as of yearend since the 1970s. The total of 62,363 or 53% of the accounts and Php120 million or 2% of the amounts paid in 2012 involved valid deposits with balances of up to Php15,000.

Considered as a significant challenge in claims servicing during the year was the closure of Export & Industry Bank, a commercial bank with 50 banking units. The PDIC had to hurdle manpower, logistical and other resource requirements to ensure a swift and efficient payout operations. Export & Industry Bank had estimated insured deposits amounting to Php2.3 billion consisting of 46,134 accounts.

As of yearend, about Php2.1 billion in deposit insurance claims for 36,345 accounts or 88.1% and 78.8%, respectively of the total estimated insured deposits in amounts and accounts of Export & Industry Bank were paid.

Payment of Accounts with Deposit Balances of Php15,000 and below

In 2012, PDIC set a turnaround time (TAT), ranging from 45 to 70[5] days for automatic payment of valid accounts with balances of up to Php15,000. Depositors of 19 out of 24[6] or 79.2% of banks closed in 2012 were paid a total of P115.3 million, over performing the TAT set with an average of 31 days for banks with deposit accounts of up to 5,000 and 39 days for banks with greater than 5,000

[5] For accounts with deposit balances of up to Php15,000, turnaround time set for 2012 were as follows: (a) 45 days for banks with 5,000 and below deposit accounts; (b) 60 days for banks with more than 5,000 deposit accounts and with computerized and centralized deposit systems; and (c) 70 days for banks with more than 5,000 deposit accounts and with manual or decentralized deposit systems.

[6] Deposit insurance settlement for accounts with balances of Php15,000 and below in one (1) bank, was included in the Field Operations Claims Settlement while Receive-Process-Mail scheme (RPM) was utillized in two (2) other banks. The fourth bank had only 15 depositors, all of whom did not file claims since they are all related to the owners who refused to turn over the bank records to PDIC , while the fifth bank was still under examination at yearend.

deposit accounts and with computerized or manual deposit systems. A total of 61,182 depositors benefited from the automatic payment scheme.

Payment of Claims with Deposit Balances of Php15,000 and above

In an effort to reach out to the depositors of closed banks, the primary mode of settlement for payment of claims with deposit balances of above Php15,000 and Php15,000 and below with requisite filing of claims, is through Field Operations Claims Settlement (FOCS). Under the FOCS scheme, PDIC deploys its claims payout team/s to the premises or locality of closed banks to conduct claims payout operations onsite. Hence, the depositors have easy access to their deposit insurance and are given the opportunity to immediately submit additional documentary requirements, thereby facilitating the prompt processing and settlement of their claims.

PDIC established the 2012 TAT for FOCS between 75 to 110 days[7] from bank takeover to payment of deposit insurance claims. All deposit insurance claims or 41,574 claims received during FOCS in 19 closed banks were settled within TAT, averaging 58 days for banks with deposit accounts of up to 5,000, 95 days for bank with centralized deposit system and 82 days for closures with more than 5,000 deposit accounts and with manual or decentralized deposit system.

On the other hand, an alternative mode to settle claims known as the Receive-Process-Mail (RPM) is also resorted to if the conduct of FOCS is not possible. In this mode, the depositors may opt to file their claim at the PDIC or through mail. For Receive-Process-Mail, standard TAT is 34 days from validation of deposits or filing of claims by depositors, whichever comes later. Claims settlement for two banks closed during the year were made through this scheme. All claims filed for these two banks totaling 486 claims were processed within the set TAT.

The PDIC paid 89,496 accounts for banks with ongoing claims settlement operations during the year for a total amount of Php3.7 billion.

Project Management Approach to Claims Settlement

Towards the end of 2012, PDIC embarked on initiatives focused on further streamlining the claims procedures to increase operational efficiency with the end objective of prompt settlement of insured deposits based on a Time and Motion Study (TMS) of the onsite claims payout activities. The TMS resulted in the adoption of the Project Management Team approach to claims settlement operations in the field.

Under this approach, the significant activities leading to claims settlement operations are integrated under the management of a composite team from the operations sectors of the Corporation – the Deposit Insurance Sector, Receivership and Liquidation Sector and the Information Technology Group which is headed by a Project Manager. The prompt decisions and immediate adoption of actions towards resolution of operational issues and problems encountered during the claims settlement operations resulted in shorter settlement time and immediate access of depositors to their deposit insurance.

[7] *Set TAT for onsite claims settlement operations were as follows: (a) 75 days for banks with deposit accounts of up to 5,000; (b) 95 days for banks with more than 5,000 deposit accounts and with computerized and centralized deposit systems; and (c) 110 days for banks with more than 5,000 deposit accounts and with manual or decentralized deposit systems.*

The pilot implementation of the Project Management Team approach to claims settlement operations was carried out at Ilocandia Community Bank (ICOM Bank) which was ordered closed by the Monetary Board on November 22, 2012. The bank with Head Office in Pasuquin, Ilocos Norte had two other branches located in Piddig, Ilocos Norte and Flora, Kalinga-Apayao which are 35 kilometers and 179 kilometers, respectively, from Head Office.

The claims settlement operations in ICOM Bank started 19 days after bank closure and was completed on the 25th day from date of bank takeover. Highlights of improvement in institutional service under the Project Management Team approach for ICOM (*See special story on Time and Motion Study on page 30*) were as follows:

a. Increased processing output capacity from 60 to 120 claims despite streamlined team complement

b. Shortened TAT in claims processing from 21 minutes to an average of 7 minutes per depositor or an efficiency improvement rate of 65%

Based on the ICOM experience, the factors which likewise contributed to the significant improvement in claims settlement operations under the Project Management Team approach were the 1) simultaneous conduct of all related activities of claims settlement operations, 2) efficient workflow layout, 3) bank-site based Central Processing Unit[8], 4) simplified or enhanced claims processing/settlement procedures and 5) streamlined reportorial and documentation requirements.

The Project Management Team approach to claims settlement operations has been institutionalized for all banks closed after ICOM Bank.

Signing of MOA with Land Bank of the Philippines

In order to further facilitate payment of deposit insurance claims, PDIC entered into a Memorandum of Agreement with Land Bank of the Philippines (LBP) on December 6, 2012 to introduce additional modes of payment of insured deposits, at LBP Servicing Branches, namely; (a) Over-the-Counter issuance of Manager's Check, and (b) crediting to newly-opened or existing

[8] *Central Processing Unit – a team, composed of staff from the Presettlement Examination Department, Claims Processing Department, and/or Claims Settlement Department, deployed during claim settlement operations of a multi-unit bank and authorized to effect changes in the Register of Estimated Insured Deposits after verification of documents presented by depositors.*

account with LBP. The agreement likewise aimed to consolidate the existing agreements dated February 28, 2001 and November 17, 2010, both of which designated LBP as servicing bank to effect payment of valid deposits of closed banks via Over-the-Counter cash payments, Transfer Deposit Scheme and Cash Cards on a non-exclusive basis. The MOA integrates all modes of payment of claims for insured deposits of closed banks between PDIC and LBP.

These initiatives are designed to give more options/range of settlement modes and maximum convenience to the depositor-claimants.

ISO 9001:2008 Certification on Quality Management System of Claims Settlement Operations (CSO)

For the year 2012, the Corporation has successfully sustained its ISO 9001:2008 Certification for Quality Management System for claims settlement operations after passing the second Annual Surveillance Audit conducted by a third party certifying body, the Certification International Philippines, Inc. (CIPI) last June 5, 2012. This milestone recognized PDIC's continuing effort to improve service delivery to depositors at the same time, bringing its Quality Management System for claims settlement operations at par with international best practices.

The ISO certification is recognized internationally as an assurance of quality and reliability in organization and businesses.

Public Assistance

Another corporate milestone during the year is the structural integration of public assistance services with the Deposit Insurance Sector towards a better service synergy with the depositing public and a more focused service orientation.

The Public Assistance Department (PAD) served as a channel through which PDIC, as Deposit Insurer, links and communicates its key messages to the depositors and the general public.

In the event of a bank closure, PAD personnel join the takeover team and embark on intensive information dissemination campaign on PDIC's role as Receiver/ Liquidator and Deposit Insurer.

Recognizing the anxiety of depositors, the PDIC, through PAD, conducts Depositors-Borrowers Fora where the claims settlement procedures and requirements are discussed, explained and clarified. The borrowers and creditors are enlightened on procedures for payment of loans and disposal of bank assets and properties.

In 2012, a total of 67 Depositors-Borrowers Fora were successfully conducted nationwide for 24 bank closures that involved 97 banking units.

At PDIC Home Office, PAD attended and responded to 60,429 phone calls, 9,981 emails/letters and 15,469 Helpdesk queries. These inquiries and/or complaints, if any, were all promptly addressed or referred to concerned PDIC department/s or other government unit/s for appropriate action.

For efficient and effective monitoring of action taken on depositor's queries/complaints, a computerized PAD Monitoring System was developed during the second semester of 2012. This was pilot-tested in November 2012 and still undergoing system enhancement as of yearend.

Service Quality Feedback Survey

To maintain its quality management standard in meeting the needs of customers, the Corporation regularly conducts a Service Quality Feedback Survey among the depositors of closed banks who have filed their claims for deposit insurance. The survey is intended to measure the level of satisfaction of a depositor who personally transacts, with the PDIC through the PAD Helpdesk and Claims Counter. For the year 2012, the satisfaction level of clients reached a high of 100% in October. The overall customer satisfaction level of 96.8% in 2012 is an improvement of 20.5% compared with the 80.3% overall satisfaction level in 2011.

Time & Motion Study: Practicing Continuous Improvement

The PDIC adopted the Project Management Team (PMT) approach to Field Operations Claims Settlement (FOCS) following the objective of continuously working on improvements to explore new payout models and strategies, all aimed at reducing the depositors' waiting time for the settlement of their insured deposits and making it easier for depositors to get their claims. The PMT approach promotes a new mindset, cuts across the traditional functional areas, opts for simultaneous rather than linear activities, and prescribes streamlined procedures to improve turnaround times (TATs) for the various task components of depositor reimbursement.

The adoption of the PMT approach resulted from a Time and Motion Study (TMS) in June 2012 on the onsite claims payout activities of two closed banks, First Provincial Bank, Inc. and Export & Industry Bank, to further explore ways of increasing operational efficiency.

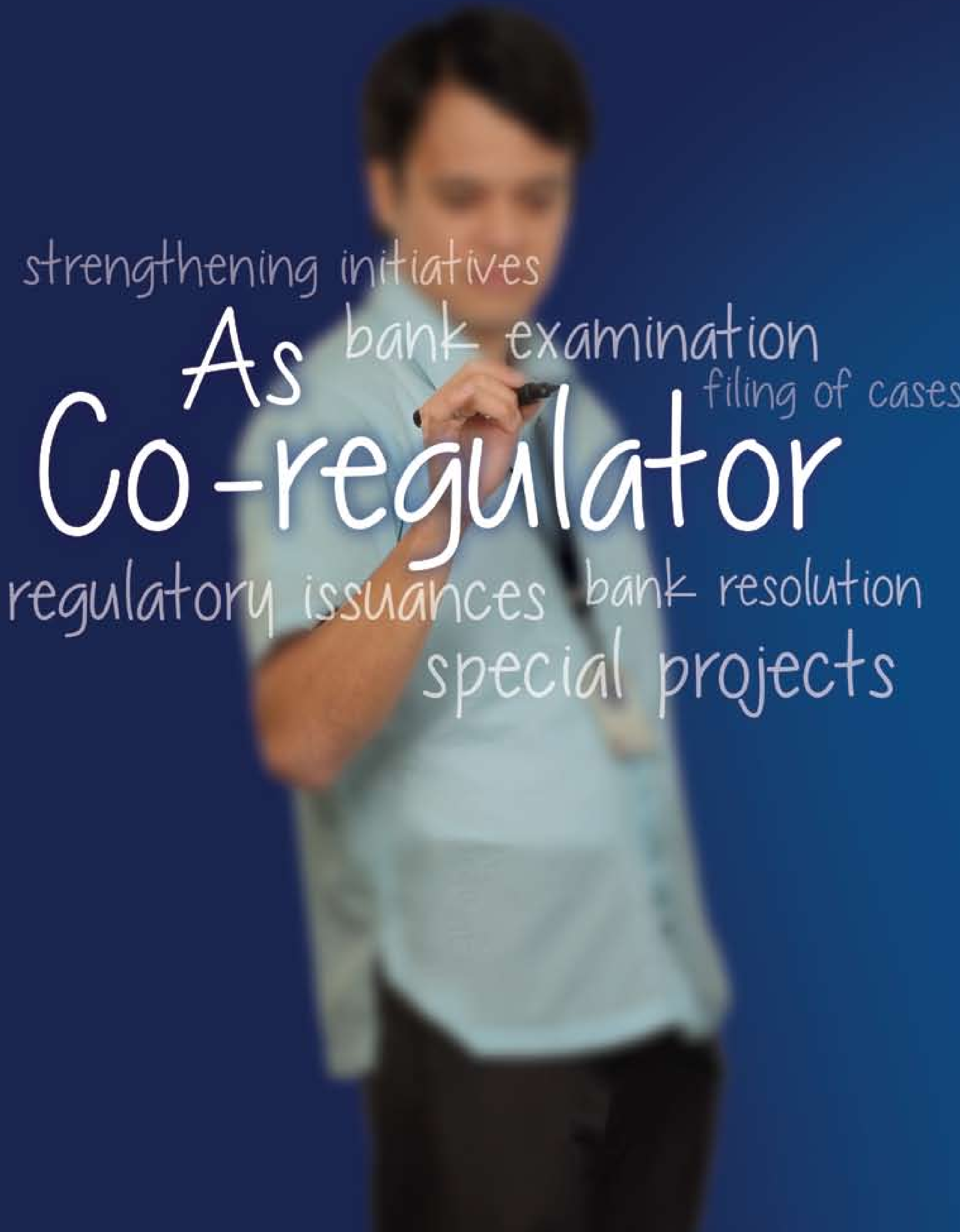
When the TMS was conducted, the TAT to complete the payout for a closed bank like First Provincial Bank, Inc. with less than 5,000 accounts was 45 days, and 70 days for a closed bank like Export & Industry Bank with more than 5,000 accounts.

The PMT approach to FOCS was pilot-tested in Ilocandia Community (ICOM) Bank that was ordered closed by the Monetary Board on November 22, 2012 with Head office in Pasuquin, Ilocos Norte and two branches located in Piddig, Ilocos Norte and Flora, Kalinga-Apayao. The pilot-test in ICOM Bank yielded a shorter start of payout of 11 days and completion period of 25 days, versus the previous average TAT. Thus far, the PMT approach has been adopted in all succeeding field payout operations, with consistently good results.

The reduced process cycle time, higher standard level of claims processed and paid, streamlined team complement and cost efficiency are expected to redound to the benefit of the depositors in terms of shorter waiting time, immediate access to their deposits and ease in filing and receipt of claims.

The TMS Team that conducted the study was composed of Glendale C. Anastacio and Joel O. Ignacio from the Policy and Systems Department. Advisors to the team were senior officers from Management Services Sector: Senior Vice President Ma. Ana Carmela Villegas, Vice President Ma. Ester Hanopol, Vice President Maria Belinda San Jose, Vice President Marcelo Ayes and Manager Cyrus Galang. In addition to the adoption of a PMT approach to FOCS, the team also recommended the implementation of a standard work layout and process workflow, adoption of a universal teller concept; and updating of relevant Standard Operating Guidelines and Instructions (SOGIs).

PDIC vigilantly monitors claims settlement operations to improve operations with an eye towards increasing benefits to depositors in terms of shorter waiting time and immediate access to their deposits.



The Philippine Deposit Insurance Corporation (PDIC) is mandated to co-regulate the banking system with the Bangko Sentral ng Pilipinas (BSP) to fulfill its vital task of safeguarding the interests of the depositing public and in helping develop a sound and stable banking system. Under its Charter, the Corporation is tasked to formulate appropriate regulations on banking and deposit insurance through Regulatory Issuances, conduct bank examinations, undertake bank strengthening initiatives and implement timely intervention and resolution through the grant of consent to mergers and consolidations, as well as financial assistance to banks in danger of closing.

Bank Examination

The PDIC conducts offsite financial analysis and onsite examinations of member-banks to determine their financial health and identify the risks they pose to the Deposit Insurance Fund (DIF) and to the banking system. The DIF is the main source of funding for payment of deposit insurance claims in case of bank closures and grant of financial assistance to banks in danger of closing.

In 2012, the Corporation completed a total of 94 offsite analysis reports of closely monitored banks, as well as other banks with significant financial and governance issues, and whose failures would adversely affect the DIF. Moreover, the PDIC conducted onsite examinations, either independently or jointly with the BSP, of 60 member-banks, including banks with financial assistance, with aggregate estimated insured deposits of Php89.5 billion.

In line with the additional examination powers under Section 8, Paragraph 8, of its Charter, the PDIC is now crafting the Standard Operating Guidelines and Instructions (SOGI) on Special Bank Examinations, which prescribes the guidelines in the conduct of special bank examination without the need for prior Monetary Board approval if there is a threatened or impending bank closure, as determined by the PDIC Board of Directors. Consultations with the BSP, bank associations, Office of the Government Corporate Counsel and Department of Finance were likewise sought. This is slated for Board approval by the first quarter of 2013. The Board of Directors earlier approved the definition of "threatened or impending bank closure", as it is critical in the conduct of bank surveillance, monitoring and examination, and PDIC's exercise of its regulatory oversight over member-banks.

Revisions to fine-tune the existing Memorandum of Agreement (MOA) on bank examination between the BSP and the PDIC also commenced during the year, the execution of which is targeted next year. The revisions were in line with the amendments to the PDIC Charter specifically in the conduct of independent and joint bank examinations, to ensure that there is no duplication of efforts on both regulators in the same functional areas and that the conduct of examination and that related procedures are harmonized and standardized.

Bank Resolution

The PDIC plays a major role in the resolution of a failed member-bank and is mandated to adopt timely intervention and responsive resolution methods, including the extension of financial assistance to a bank in danger of closing or to any corporation acquiring the assets of an insured bank, pursuant to Section 17(d) of the PDIC Charter. Bank resolution likewise includes the grant of consent by the Corporation to business combinations, either with or without financial assistance. Pursuant to Section 21(c) of the PDIC Charter, no insured bank shall i) merge or consolidate with any bank or institution or ii) assume liabilities or iii) transfer assets in consideration of the assumption of liabilities, without the prior written consent of the PDIC.

In 2012, PDIC granted financial assistance to a commercial bank, in the form of a loan, as an incentive for purchasing all the recorded assets and assuming all the recorded liabilities, excluding the trust business, of a troubled thrift bank. This resulted from a limited sealed bidding process, a pioneering endeavor, adopted by the Corporation in selecting the investor to ensure transparency, objectivity and reasonable competition. The loan is secured by government securities that will earn interest -- augmenting the earnings and providing buffer to the acquiring bank's capital against the losses absorbed from the acquisition. As a result of the sealed bidding process adopted, PDIC generated significant savings from the insured deposits, which should have been paid out had the troubled thrift bank been closed.

In addition, the Corporation granted consent to regular business combinations, without financial assistance, specifically to one merger, five consolidations and two acquisitions, involving a total of 16 banks. An aggregate of Php1.2 trillion in total deposits comprising 15.6 million deposit accounts benefitted from these business combinations, which resulted in stronger banks due mainly to economies of scale, improved capitalization and enhanced risk management systems and corporate governance.

Bank Strengthening Initiatives

The PDIC continued to promote a strong Philippine banking system through programs either embarked by the Corporation singly or in partnership with the BSP and Land Bank of the Philippines (LBP) that will assist banks in meeting new requirements arising from a more stringent regulatory regime that calls for capital build-up and judicious risk management and corporate governance. Four programs, i.e., Investor-Investee Helpdesk, Countryside Financial Institutions Enhancement Program, Strengthening Program for Rural Banks, and Strengthening Program for Cooperative Banks, were continuously implemented this year primarily aimed at encouraging business combinations among banks.

Investor-Investee Helpdesk

The Investor-Investee Helpdesk is an electronic matching facility for strategic third party investors (STPIs) and investee banks created in 2010 to support mergers and consolidation of banks. The facility assists STPIs, which may be banks or non-bank financial institutions, in finding suitable counterparties, i.e., investee banks interested to merge, consolidate or be acquired. Registrants to the facility are listed in active status for six months, subject to their request for extension or delisting.

During the year, the Helpdesk received 36 applications for registration from STPIs and 23 from investees. The Corporation was able to match two sets of STPIs and investee banks. As of yearend, the Helpdesk had 19 active registrants, of which 14 were STPIs and five were investees.

Countryside Financial Institutions Enhancement Program (CFIEP)

The CFIEP is a tripartite undertaking among the PDIC, BSP and LBP also to encourage business combinations among rural banks. The PDIC, under the CFIEP Module III, grants financial assistance in the form of a loan, to a strong rural bank as an incentive for its rehabilitation of another rural bank that is in danger of closing either via merger, consolidation or acquisition (MCA). During the year, financial assistance under the CFIEP had been released to two MCA transactions.

Strengthening Program for Rural Banks (SPRB)

Originally launched in August 2010, the SPRB was expanded in August 2012 and now dubbed as SPRB Plus. It is a joint program of the PDIC and BSP, aimed at encouraging mergers and consolidation among banks to promote a stronger banking sector. Other than strong rural banks, the SPRB Plus now includes well-managed thrift banks, commercial banks and non-bank corporations that are not subsidiaries of commercial banks, as among the eligible STPIs entitled to financial and regulatory incentives when investing in rural banks

and thrift banks. SPRB Plus is expected to benefit the banking system by way of improving the delivery of financial services to both rural and urban communities, enhancing technological know-how and quality of governance and management, strengthening and sustaining the financial condition of resulting banks, and enhancing the long-term profitability and viability of the sector.

The SPRB Plus offers a package of financial incentives and regulatory relief to the surviving bank to help improve the prospects for success of new bank partnerships. Financial assistance that may be granted by the PDIC is a combination of preferred shares and direct loan, to augment capital shortfalls and attract new investors. The BSP, for its part, is providing an expanded package of regulatory relief and branching incentives for commercial, thrift and rural banks that will pursue collaborations with other banks. This includes branch licensing and expansion in restricted areas, which will also help improve financial inclusion.

With the exception of STPI commercial banks which can only avail of incentives from the BSP without the PDIC financial assistance component, all other eligible STPIs -- rural and thrift banks and non-bank corporations -- may avail of both the financial assistance and the regulatory relief incentives.

To promote the SPRB Plus, the PDIC conducted roadshows nationwide. Since its re-launch in August 2012, three roadshows had been undertaken catering to banks located in the National Capital Region and the surrounding provinces of Cebu City and Davao City. More roadshows are lined up early next year to cover other regions.

As of yearend, four applications under the SPRB Plus involving eight banks had been received by the PDIC. These applications involved two commercial banks, one thrift bank, and five rural banks. Two of these applications involving acquisitions were approved and endorsed to the BSP. An application for consolidation is still in progress as of yearend.

Strengthening Program for Cooperative Banks (SPCB)

The SPCB was implemented in November 2011 as another tripartite program of the PDIC, BSP and LBP. The incentive program is aimed at encouraging mergers, consolidations and acquisitions of cooperative banks by eligible STPIs. Under the SPCB, eligible cooperative banks and their partner STPIs may avail of financial incentives and assistance, through a combination of preferred shares and direct loan to strengthen the cooperative bank's capital position.

The PDIC and LBP provide the capital support component by way of infusion of equity in the form of perpetual, non-cumulative preferred shares. These are convertible to common shares at the end of 10 years. The LBP will also grant credit facilities to enable the STPI to further scale up operations at an accelerated rate. The BSP, on the other hand, will provide regulatory relief to enable the surviving banks to expand operations through branching incentives, among others. Through the SPCB, surviving banks are expected to have an improved capital position with a networth of at least P100 million and a minimum risk-based capital adequacy ratio of 15%. The submission of requests for the SPCB expired in August 2012, but its revival, including some enhancements, is now in the works for implementation next year.

As of yearend, a total of five applications have been received involving 19 banks. One consolidation transaction was approved by PDIC during the year, involving six cooperative banks.

Special Projects

In its commitment to deliver its mandates, the PDIC has embarked on several projects to enhance its oversight functions and assist small banks in improving their information technology infrastructure capabilities and meet new reportorial and risk management requirements.

Financial Modeling

By yearend, the PDIC obtained a technical assistance from the World Bank, with funding from the Financial Sector Reform and Strengthening (FIRST) Initiative for its project on Financial Modeling for bank stress-testing and bank failure prediction.

The Financial Modeling project aims to enhance the Corporation's ability to manage and ensure the adequacy of the DIF, mitigate risks, and improve its surveillance and oversight capabilities over member-banks. Once implemented, the bank stress testing model will enable PDIC to gauge the financial position of banks under various stress scenarios, while the bank failure prediction model will allow the calculation of failure probabilities of each bank under different failure models. Both models are expected to result in the early detection of bank failures by PDIC and the institution of timely intervention and appropriate resolution methodologies.

PDIC personnel will likewise be oriented and trained on the implementation and integration of the models to PDIC's risk management functions. The financial models will be implemented in 2013.

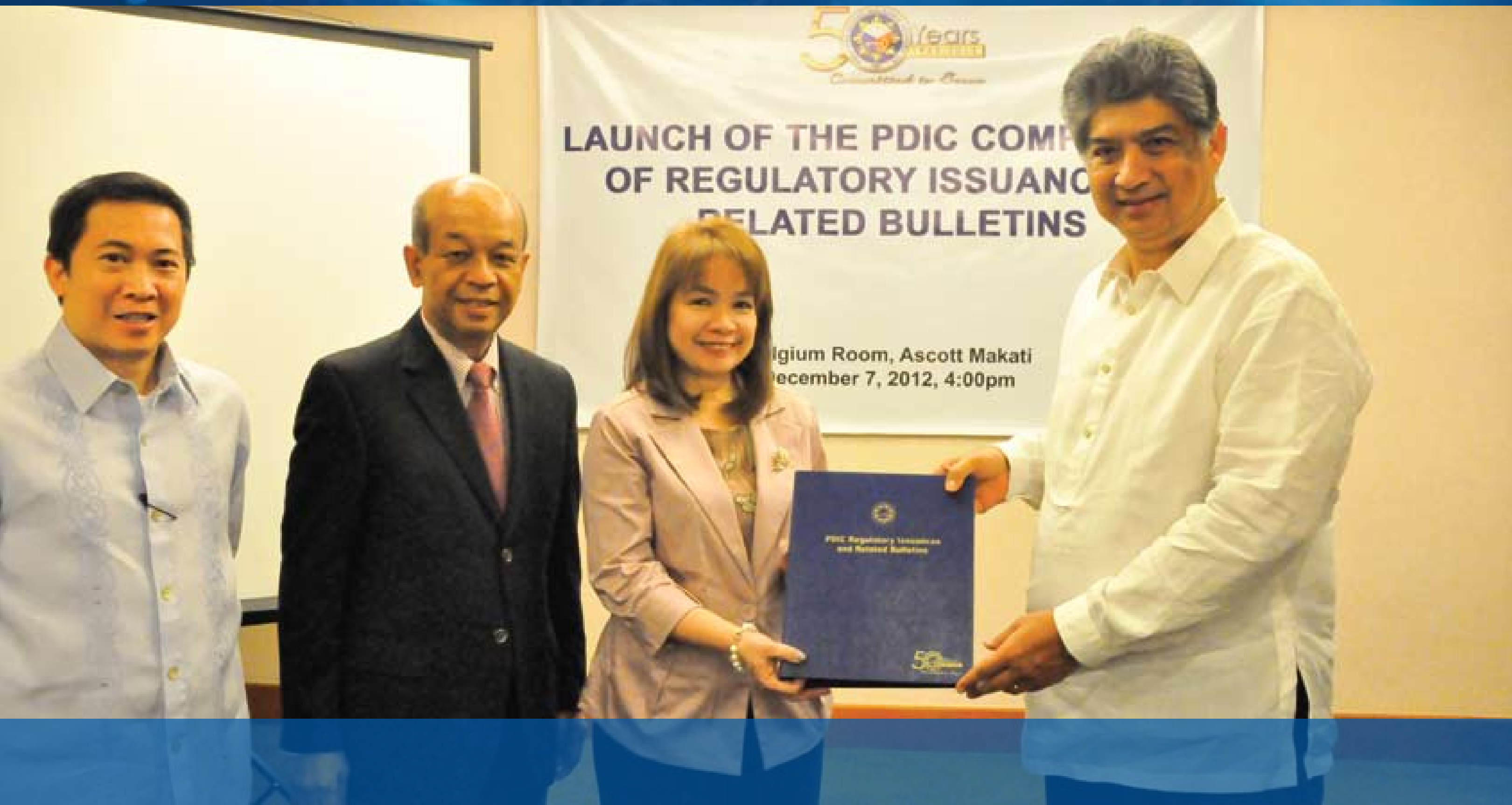
Uniform Core Banking System

Driven by its commitment to support and strengthen the rural banking sector, the PDIC embarked on an initiative to develop a Uniform Core Banking System for Rural Banks. Funded by the Asian Development Bank and supported by the Rural Bankers Association of the Philippines (RBAP), the Corporation commenced the study to determine the feasibility of developing and adopting a uniform core banking system for rural banks on a purely voluntary basis. To gather information and determine feasibility of the project, the project consultant conducted nationwide focus group discussions with rural bankers in the key cities of Davao, Cebu, Iloilo, Cagayan de Oro and Baguio from July to August 2012. These focus group discussions were supervised by officers from the PDIC.

The project is expected to benefit rural banks through reduction of capital expenditures, maintenance and manpower costs, enhanced coordination among banking units, and better planning and management of banks. It also aims to improve management of risks and internal control, recording and monitoring of bank transactions; and accuracy, timeliness and reliability of reports generated. Aside from being compliant with current information technology requirements, the core banking system is envisioned to be scalable, modular, and affordable to rural banks. It will cover deposits, loans management and monitoring, liquidity management, and general ledger as well, including a management information system that will address the reportorial requirements of the regulators primarily the BSP and PDIC.

The next phase of the project is dependent on the results of the feasibility study, the commitment of the RBAP and the availability of project funding. It will involve the formulation of standards for the core banking system, determination of the system's functional and technical requirements, and recommended implementation plan.

AS CO-REGULATOR



Regulatory Issuances

The Regulatory Issuance on the Revised Rules on Administrative Offenses, Fines, and Procedures in Administrative Investigations (Regulatory Issuance No. 2012-01) was released during the year. This regulation streamlined the procedure for the exercise by the PDIC of its authority to impose sanctions on erring banks, and/or any of the responsible directors, officers, employees or agents who are involved in administrative offenses such as unsafe and/or unsound banking practices, fraudulent acts, and for violation of any order, instruction, rule or regulation issued by the PDIC, among others. The issuance repealed Regulatory Issuance No. 2005-03 issued in May 2005.

Additionally introduced in Regulatory Issuance 2012-01 were the procedures for the issuance by the PDIC of a Directive to Cease and Desist for deposit accounts or transactions that constitute and/or emanate from unsafe and/or unsound banking practice based on a complaint or bank examination reports. The revised Regulatory Issuance also shortened the period for the submission of pleadings by the parties to the case as well as reports and recommendations to the PDIC Board to expedite the resolution of administrative complaints.

Before the year ended, the Corporation embarked on another initiative that aimed to compile all of its Regulatory Issuances and related Bulletins on bank operations and deposit insurance in a compendium. The compendium was launched on December 7, 2012 among officers of the BSP and the major bank groups namely, Bankers Association of the Philippines (BAP), Chamber of Thrift Banks (CTB), and the RBAP.

The Compendium serves as the member-banks' guide in ensuring compliance to PDIC rules and regulations in their respective organizations. Regulatory Issuances provide specific guidelines on new rules and regulations being implemented by the Corporation, while the Bulletins are advisories, notices and announcements concerning reportorial requirements and other deposit insurance issues.

The initiative was in recognition of the vital role of members of the banking industry as partners of the PDIC in enhancing public awareness on deposit insurance protection for depositors.

Filing of Cases

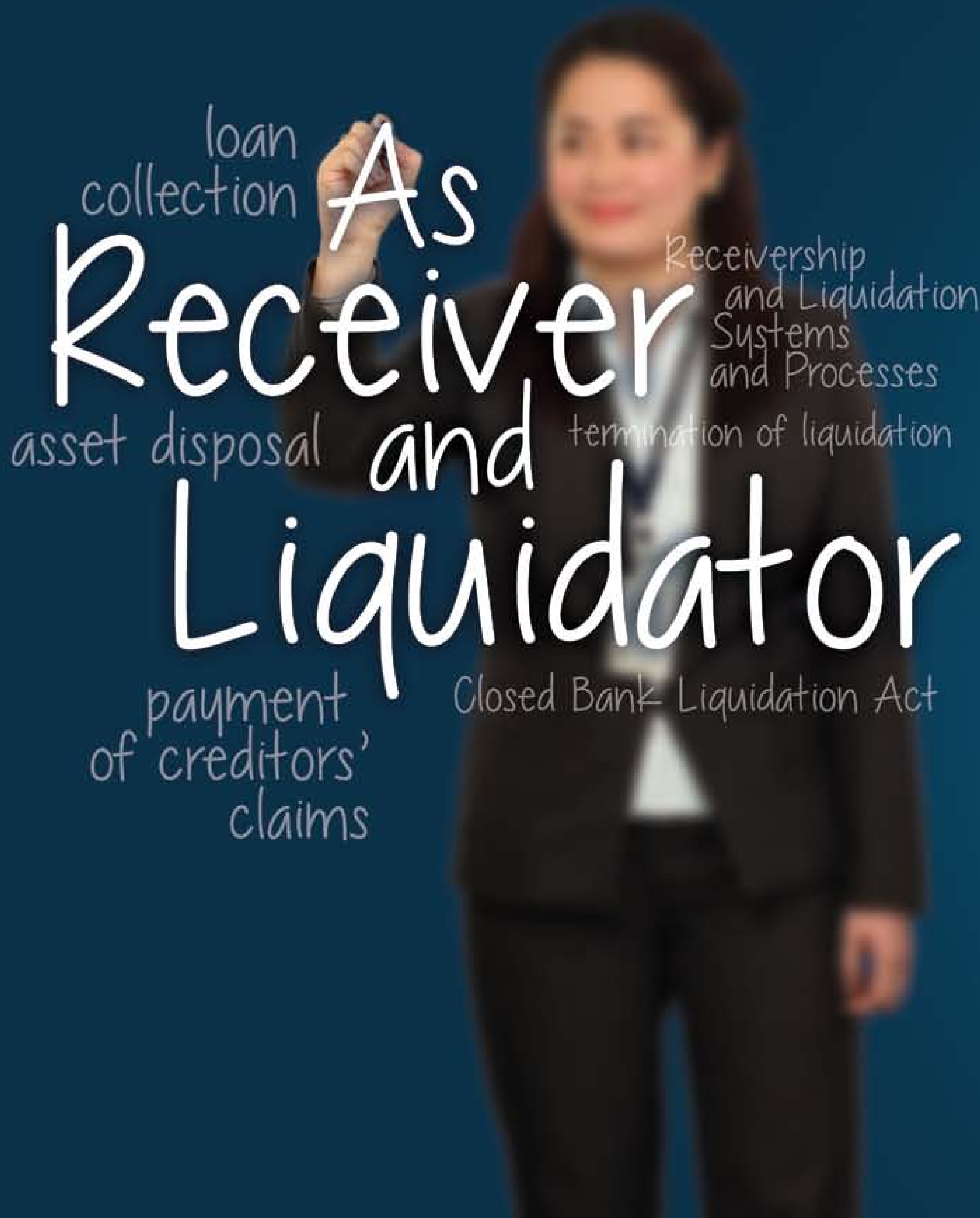
In 2012, the PDIC filed three significant criminal cases. One case for syndicated estafa was filed jointly with the BSP involving the closed Philippine Farmers Bank, Inc. relative to fictitious renovations and purchase of Furniture, Fixtures, and Equipment (FFEs) amounting to Php30.2 million. Another case for syndicated estafa was filed involving the closed LBC Development Bank relative to the fraudulent payment of loans aggregating Php229 million. An estafa case involving various closed Legacy Banks relative to deposit insurance fraud amounting to Php98 million was also filed during the year.

A case questioning the closure of a rural bank in Cotabato City in Mindanao has also been filed against the Corporation during the year. The decision of the Court of Appeals to dismiss the case is not yet final as of yearend.

The PDIC also referred certain legal cases and investigations to other government agencies. A case for possible violation of Section 1, Rule 5, of the Implementing Rules and Regulations of Republic Act 9160 and a case on suspicious transactions have been referred to the Anti-Money Laundering Council (AMLC). Another case has been referred to the Securities and Exchange Commission for possible violation of the Securities Regulation Code (Republic Act 8799). The assistance of the Bureau of Internal Revenue was also sought in relation to three cases for possible violation of tax laws. Three cases had also been referred to the BSP for violation of banking laws and for conducting business in an unsafe and unsound manner. The PDIC likewise sought the assistance of the Department of Justice (DOJ) for the issuance of a Lookout Bulletin against two respondents in a pending criminal case involving two closed rural banks.

The PDIC remains steadfast in its pursuit for justice against erring individuals who commit various acts and practices that will adversely affect the DIF and threaten the stability of the Philippine banking system.

As Receiver and Liquidator



PDIC took over 24 banks ordered closed by the Monetary Board in 2012, in line with its statutory mandate as Receiver and Liquidator of banks. These banks consisted of 23 rural banks and one commercial bank, comprising 97 banking units. Fifteen of the 24 closed banks had head offices located in Luzon, five in the Visayas and four in Mindanao.

Insured deposits of the 24 banks were estimated at Php4.5 billion involving 122,896 deposit accounts. In 2011, there were 29 banks closed with Php13.0 billion in insured deposits and 281,453 deposit accounts.

Although the 97 banking units handled in 2012 was less than the 125 banking units handled in 2011, the closure of the Export & Industry Bank in 2012, the first commercial bank closed after twelve years, posed operational challenges for PDIC. PDIC had to handle simultaneous receivership operations in the bank's 50-branch network. Senior PDIC officers were thus tapped to assist in receivership operations and handle transactions of the bank which were more complicated than the usual lending and deposit-taking operations of smaller banks. These transactions included ATM-related operations, trust banking operations, investments in peso and foreign currency denominated instruments, and administration of condominium. The legal cases filed by or against the bank were also more varied and complex.

Having assessed the interest of strategic third party investors (STPIs) in participating in the rehabilitation of Export & Industry Bank, PDIC coordinated the rehabilitation process for the bank. This process involved coordination with interested STPIs, stockholders, depositors and other stakeholders, including the Bangko Sentral ng Pilipinas (BSP). Depositors' fora were conducted nationwide to inform depositors of the status of the bank and inform them of the advantages of rehabilitation over liquidation. Depositors and creditors should, however, waive their right to deposit secrecy and agree to a haircut given the capital hole of the bank. All documents required for bidding and the transaction documents were circulated to pre-qualified STPIs ahead of time, for their comments, to ensure that the transaction may be immediately executed and for transparency and avoidance of doubt on the rehabilitation parameters and terms and conditions of bid. PDIC also oversaw the due diligence and bidding process. A public bidding for the rehabilitation of Export & Industry Bank was conducted but was declared a failed bidding after no bids were received, even as pre-qualified investors conducted due diligence and submitted expressions of interest to bid.

AS RECEIVER AND LIQUIDATOR

Asset Disposal

PDIC's disposal of closed bank's assets commences upon placement of the closed bank under liquidation by the Monetary Board. Conversion of hard assets into cash or other liquid assets is intended to facilitate distribution of closed banks' assets to its creditors and reduce costs of asset administration. Proceeds from sale of assets are lodged under the funds held in trust account for each closed bank and invested in government securities.

To maximize recovery and ensure transparency in the sale of assets of closed banks, PDIC conducts public bidding for these assets, where interested buyers are invited to bid. Notice of Bidding is published in newspapers of general circulation and posted in the PDIC website. Offers to buy assets not sold during the bidding are entertained via negotiated sale based on set guidelines.

In 2012, a total of 129 real and other properties acquired (ROPA) accounts of closed banks were disposed generating total sales proceeds of Php93.6 million. Of this amount, Php15.1 million or 57 properties were sold via public bidding. A total of Php78.5 million was earned from the disposal of 72 properties via negotiated sale, while another Php28.3 million was collected from installment sales prior to 2012. Meanwhile, the sale of 14 vehicles of closed banks, also through public bidding, yielded Php6.7 million.

On the other hand, a total of 30 corporate assets was sold from the pool of assets acquired by PDIC by virtue of financial assistance or assignment by closed banks. Proceeds of sale aggregated to Php173.1 million, of which 14 properties were sold via public bidding at Php76.8 million, and 16 properties were sold via negotiated sale for a total amount of Php96.3 million.

The increase in asset sales compared to 2011 is due to more focused asset disposal strategy and frequency of conduct of bidding from five in 2011 to six in 2012.

Loan Collection

PDIC pursued collection of loans onsite, i.e., upon bank closure. This boosted cash collection to Php658 million in 2012 from Php545.5 million in 2011. This includes payments from restructuring/refinancing of loans. The amount of loans of closed banks resolved in 2012 reached Php846 million.

Cash collections from corporate loans amounted to Php88.5 million, while those resolved through foreclosure and *dacion en pago* totalled Php57.0 million and Php61.8 million, respectively, resulting in Php207.3 million corporate loan accounts resolved for the year.

The dedicated and focused approach to collection of loans significantly contributed to the conversion of these assets into liquid investible funds for the corporate and closed banks' accounts.

Payment of Creditors' Claims

PDIC, as Liquidator, prepares a project of distribution (POD) for each closed bank. The POD, which may be partial (PPOD) or final (FPOD), is a detailed blueprint on how the assets of a closed bank shall be distributed to its creditors. The POD has to be approved by the Liquidation Court before it can be implemented. Creditors may claim their receivables from PDIC within three years from date of finality of the court order approving the POD, after which unclaimed amounts will be escheated in favor of the government.

During the year, PDIC continued to distribute assets to creditors based on the partial PODs of 25 banks and 275 FPODs approved by the Liquidation Courts[9]. Outstanding assets for distribution aggregated Php549 million. As of yearend, recovery of creditors from closed banks amounted to Php11.0 billion or 66% recovery rate.

Termination of Liquidation

In 2012, PDIC terminated the liquidation of 79 banks, putting to a close the liquidation activities for these banks. The formal termination of the liquidation process reduced the number of closed banks in PDIC's inventory from 601 to 522. The termination and winding up of affairs of a closed bank is targeted for completion within three years from date of finality of the court order approving the FPOD of the assets of the said closed bank.

Receivership and Liquidation Systems and Processes

To improve the management of corporate and closed bank ROPA, PDIC procured the ROPA Monitoring System

[9] PDIC has fully distributed assets of 69 closed banks, leaving 206 banks with approved FPOD whose are assets still for distribution.

(ROPAMS), a web-based application system, to assist in the administration and monitoring of these assets. The system is designed to provide management as well as the public with complete, timely and accurate information necessary for informed decision-making. It will also allow prompt payment of real property taxes and other asset administration expenses.

System customization and data build-up were ongoing as of yearend. The ROPAMS is targeted for implementation in 2013. The full operationalization of ROPAMS is expected to streamline the management of real estate properties and result in more robust asset disposal and turnover.

Another system to be procured to improve operational efficiency in the receivership and liquidation of banks is the Loans Monitoring System (LMS). The LMS is intended to enable PDIC to efficiently manage the loan portfolio of closed banks and those acquired by or assigned to the Corporation. The procurement of LMS is targeted for 2014.

The medium to long-term aim is to link the ROPAMS and LMS with the planned RL Financial System to create a cohesive automated database systems network across related functional groups.

PDIC further streamlined its billing process via the adoption of a new framework to standardize determination and charging of receivership and liquidation expenses (RLE), based on the size of the bank and in terms of number of branches at the time of closure.

A number of initiatives was also undertaken in support of receivership and liquidation operations. These included the conduct by the PDIC of the 5th Seminar-Workshop on Deposit Insurance, Bank Practices and Bank Conservatorship, Receivership and Liquidation with the members of the judiciary. This year's seminar run drew judges from the Regional Trial Courts in Regions 1, 3 and 4 handling Petitions for Assistance in the Liquidation of closed banks and those who preside over commercial courts. The seminar was undertaken in partnership with the Philippine Judicial Academy (PhilJA).

PDIC continued to fine-tune the draft provisions of the Closed Bank Liquidation Act (CBLA). The proposed legislation is aimed at expediting the liquidation of closed banks through various mechanisms including a seamless transition from bank closure to liquidation and enhanced PDIC authorities.

Closed Bank Liquidation Act[10]

The Corporation continued to push for legislative reforms in pursuance of the need to further enhance the resolution and liquidation process of closed banks and in light of the lessons learned from the global financial crisis and challenges in the domestic front.

The proposed legislation, Closed Bank Liquidation Act (CBLA), was envisioned as a comprehensive law to govern bank liquidation in the Philippines consistent with international best practices, and with the interest of the depositors and creditors of closed banks in mind.

The CBLA seeks to conduct an orderly and prompt bank liquidation through a seamless transition from bank closure to liquidation. It was also crafted with the end view of streamlining the liquidation process for closed banks to enhance operational efficiency. Additional modes of liquidation such as bridge banking and an enhanced purchase of assets and assumption of liabilities are proposed under the CBLA. The adoption of these modes of liquidation aims to lessen the disruptions in the banking system caused by bank failures that impact on the depositors as well as reduce liquidation costs.

Continued consultation regarding the proposed legislation has been made with the Bangko Sentral ng Pilipinas, bank industry partners and the Legislature.

The CBLA has been filed in both the Senate and the House of Representatives and has undergone reviews and revisions. The PDIC will continue to pursue reforms to strengthen the Corporation's authorities is in support of the Roadmap to 2016, which outlines the strategic directions of the PDIC in the medium-term.

[10] Provisions of the CBLA are presently incorporated into a proposed bill to amend the PDIC Charter.

***Status of FPOD Implementation**[11]*
As of 31 December 2012
Amount in Php Millions

Creditors	Nature of Claim	Total Payable	Approved for Payment	Recovery Rate (in %)	Payment	Recovery Rate in % (Payment to Total Payable)
		a	*b*	*c = b/a*	*d*	*e = d/a*
PDIC	Receivership and Liquidation Expenses	484.42	471.68	97	467.78	97
	Subrogated Claims	3,309.92	1,771.59	54	1,665.29	50
	Sub-total	3,794.34	2,243.27	59	2,133.07	56
BSP	Rediscounting Emergency Loans, Penalties, Fees	3,547.63	1,433.19	40	1,345.22	38
Other Government Agencies	Central Bank – Board of Liquidators	4,474.47	4,388.49	98	4,260.47	95
	Bureau of the Treasury	2,027.47	2,026.44	100	2,024.79	100
	BIR & Other Gov't Agencies	1,115.36	781.51	70	688.97	62
	Sub-total	7,617.30	7,196.44	94	6,974.23	92
Other Creditors	Uninsured Deposits, Labor Claims, etc.	1,758.60	661.28	38	589.51	34
	TOTAL	**16,717.87**	**11,534.18**	**69**	**11,042.03**	**66**

[11] For 275 closed banks with approved final projects of distribution and 25 closed banks with partial projects of distribution.

In Pursuit of Export & Industry Bank's Rehabilitation

The onset of the second quarter of 2012 brought yet another intense and rare bank closure episode. Export & Industry Bank (EIB), a commercial bank, was ordered closed by the Monetary Board of the Bangko Sentral ng Pilipinas (BSP), by virtue of MB Resolution No. 686 dated April 26, 2012. The PDIC took over EIB on April 27, 2012. It had 50 branches nationwide with aggregate deposits of Php13.7 billion involving 46,134 accounts.

The closure came 12 years after the closure of Urban Bank in April 2000 which, ironically, EIB rehabilitated in 2002. Urban Bank's branches were folded as EIB's branches.

EIB was placed under receivership after its stockholders and officers surrendered the bank's license to the BSP while, at the same time, informing BSP and PDIC of the declaration of a self-imposed bank holiday effective April 27, 2012. Further, EIB was ordered closed by virtue of Section 30 of the New Central Bank Act, due to the following: a) It was unable to pay its liabilities as they become due in the ordinary course of business; b) It had insufficient realizable assets to meet liabilities; and c) It cannot continue to operate without involving probable losses to its depositors and creditors.

The day after the closure order marked the start of the demanding task of gathering EIB's assets and verifying all bank records of the depositors of EIB. EIB's total deposit accounts represented half of the total deposit accounts of all banks closed in 2012. The need for adequate manpower posed a great challenge to PDIC which saw the Corporation's workforce from various units including senior officers deployed to assist in the expeditious takeover of EIB's 50 banking units nationwide. PDIC's mandate was to promptly pay deposit insurance, and be able to make the determination whether the bank may still be rehabilitated or liquidate the closed bank's remaining assets.

The closure of EIB was made all the more challenging due to the much tougher task of immediately paying EIB depositors while at the same time pursuing the bank's rehabilitation after qualified strategic third party investors (STPIs) manifested interest to rehabilitate the bank.

Settlement of Insured Deposits

On May 22, 2012, PDIC started paying account holders who are eligible for the automatic payment of deposit insurance. These are depositors whose accounts have balances of Php10,000 and below, who have no outstanding obligations with EIB and have complete addresses in EIB's records. This group of depositors represented 62% of EIB's total deposit accounts. The payout of deposit insurance was conducted within the 30-day standard turnaround time for settlement of claims under the automatic payment scheme. Payments were settled in the form of postal money orders sent via mail for convenience of depositors.

As of yearend, total payments of deposit insurance claims for EIB depositors amounted to about Php2.1 billion involving 36,345 deposit accounts.

Bidding the Rehabilitation of EIB

The uninsured depositors and creditors received a glimmer of hope when PDIC determined that EIB may still be rehabilitated subject to certain terms and conditions, foremost of which was the interest of STPIs to rehabilitate the closed bank. The Corporation, as Receiver, engaged the services of audit firm, Alba Romeo & Co., to ascertain the financial condition of EIB.

AS RECEIVER AND LIQUIDATOR

Up for bidding was the rehabilitation proposal deemed most advantageous to depositors and creditors and addresses the requirements for capital strengthening, liquidity, sustainability and viability, and governance.

STPIs were allowed under a strict confidentiality agreement to conduct a due diligence review on EIB starting July 2, 2012. Parties were given until August 15, 2012 to formally inform the PDIC of their intent to rehabilitate the closed EIB and to prequalify for the bidding.

The bidding for the rehabilitation of EIB was to be conducted in two tranches. Tranche 1 will involve the bidding of the bank's assets and liabilities and was set on October 18, 2012. Meanwhile, Tranche 2 was for the bidding of EIB's commercial bank license to be scheduled at a later date.

A successful rehabilitation process is contingent on the following critical requirements: 1) support from the STPIs that will bid for the rehabilitation of EIB; 2) consent of majority of the stockholders; 3) consent of all creditors and uninsured depositors; and 4) successful bidding.

While a number of STPIs signified intent to rehabilitate EIB and majority of the stockholders gave their go-signal, the challenge was to gather the consent of all EIB's uninsured depositors and creditors. In order to achieve this, the PDIC conducted a total of 43 successive Depositors Forums nationwide starting August 2012 and several one-on-one meetings with major depositors who opted for anonymity. Thirty-three of these sessions were undertaken in Metro Manila. PDIC officers were deployed and met with depositors and creditors in 10 sessions held in the provinces. The Depositors Forums were the venue to provide updates to the depositors and creditors on EIB's status and to explain the importance of their consent to the bank's rehabilitation. During the Forums, it was explained that the bank's rehabilitation provided better chances of recovery for their deposits and investments compared to liquidation.

The Bidding

On October 18, 2012, depositors and creditors filled the venue at the SSS Building Penthouse to witness the public bidding for EIB's rehabilitation. The bidding for Tranche 1 of EIB's rehabilitation was well-publicized and was made open to the public to ensure transparency. However, the bidding for Tranche 1 of EIB's rehabilitation was declared a failed bidding after no bids were received.

PDIC acknowledged that the absence of bidders may have been caused by the 72-hour temporary restraining order (TRO) issued by the Makati Regional Trial Court Branch 146 against the PDIC, BSP and the EIB on October 17, 2012, the day before the bidding. The TRO was in relation to Civil Case No. 12-1010, entitled, *"Forum Holdings Corporation, East Asia Oil Company, Inc., Pacific Rehouse Corporation, Pacific Concorde Corporation and Mizpah Holdings, Inc. versus Philippine Deposit Insurance Corporation, Bangko Sentral ng Pilipinas and Export & Industry Bank, Inc."* which sought to enjoin defendants PDIC, BSP and EIB and their officers, agents and representatives from proceeding with the sale of EIB's assets, branches and commercial bank license.

In response to the TRO, PDIC filed with the Court an Urgent Motion to Dissolve and/or Lift the TRO and Opposition to Application for Preliminary Injunction filed by Forum Holdings Corporation et al. arguing that the RTC had no jurisdiction to issue the TRO and preliminary injunction and that the court was in violation of the Rules of Court and jurisprudence. PDIC further cited that the plaintiffs had no clear and unmistakable right over EIB's assets, branches and commercial bank license to be entitled to injunctive relief and that there was no extreme urgency in the ex parte issuance of the TRO.

In response to PDIC's motion, Presiding Judge Encarnacion Jaja G. Moya, in open court on October 19, 2012, denied the TRO/injunction due to lack of jurisdiction. On October 29, 2012, Judge Moya also denied a motion for reconsideration of the earlier denial of the TRO/injunction. The legal hindrances having been cleared, the PDIC continued to pursue the rehabilitation of EIB for the benefit of the bank's uninsured depositors and creditors.

The PDIC continued to meet with depositors and creditors nationwide to increase the number of consents to the rehabilitation. As of yearend 2012, 48% of EIB's uninsured depositors and creditors consented to the bank's rehabilitation.

Rocky Road to Rehab

The PDIC is set to conduct the re-bidding of Tranche 1 of EIB's rehabilitation by the first quarter of 2013.

As a Corporate Organization

The PDIC Board approved on November 9, 2012, the Corporate Performance Scorecard (CPS) for 2013–2016. The Scorecard provides the blueprint for the Corporation in the next four years, and was developed based on a strategic management process framework that is anchored on the corporate vision and mission.

An important component of the Scorecard is the set of corporate objectives based on core mandates of the Corporation as deposit insurer, co-regulator of banks, and receiver and liquidator of closed banks, with an overarching objective of building up the Deposit Insurance Fund (DIF) to an adequate level. The achievement of these corporate objectives over the medium-term period is measured against key performance indicators (KPIs) and annual targets for each. The KPIs highlight the importance of providing excellent customer service and promoting good governance practices. The targets are set based on actual performance in previous years and take into account both internal and external developments that can affect operations over the medium term.

Corporate Performance Scorecard [12]
2013 - 2014

Key Performance Indicator	Target	
	2013	2014
Ratio of DIF to Estimated Insured Deposits (EID)	5% (based on a 12-month average)	5% (based on a 12-month average)
Percentage of valid deposits paid within Turn-Around Time (TAT)	90% within TAT	90% within TAT
Customer satisfaction level	90% (based on a 12-month average)	90% (based on a 12-month average)
Number of priority banks examined	55 banks	60 banks
Timeliness: Average number of calendar days to submit recommendation to the Board of Directors for corrective action following the bank's examination	Average of 58 calendar days for all bank types	Average of 53 calendar days for all bank types
Number of closed banks with liquidation terminated	80 out of 142 closed banks with Liquidation Court-approved Final Projects of Distribution (FPODs) ready for termination	85 out of 100 closed banks with Liquidation Court-approved Final Projects of Distribution (FPODs) ready for termination
Number of completed Business Review Process Reviews approved by the Board	3	3
Formulation of the Enterprise Risk Management (ERM) in accordance with the ISO-based "Principles of Effective Risk Management"	Board approval	Full Implementation

The achievement of the CPS is dependent on the participation of all units in the Corporation in pursuing the initiatives and special projects that are aligned with the strategic directions of the Corporation. These strategic directions are clearly outlined by the President in the PDIC Roadmap, and determine how the corporate objectives can be achieved. Among the major initiatives to be undertaken by the Corporation are those that will make PDIC compliant with the Core Principles for Effective Deposit Insurance Systems of the International Association of Deposit Insurers (IADI), consistent with the corporate vision of becoming a world-class organization in depositor protection.

[12] *Since its approval by the PDIC Board, the CPS has undergone some revisions as a result of initial negotiations and ongoing discussions with the Governance Commission on GOCCs (GCG). The KPIs reflect the latest revisions/adjustment, as a result of a final Technical Working Group meeting with the GCG on 27 August 2013.*

Enhancement of Systems and Procedures

Bank Performance Monitoring System/Business Intelligence Tool

In 2010, PDIC started the groundwork for the implementation of the Revised Risk-Based Capital Adequacy Framework known as Basel 1.5. This new framework, which prescribed stricter measures of capital adequacy for stand-alone thrift banks and rural banks, and changes in the derivation of risk-based capital ratios of these banks, took effect starting January 2012.

PDIC's Bank Performance Monitoring System was revised to adapt to the new framework and accordingly, the Business Intelligence Tool (BI Tool) programs used to generate bank reports were likewise adjusted. The BI Tool is a reporting tool purchased in 2010 to facilitate the generation of timely financial and banking reports necessary to monitor bank performance. The acquisition of the BI Tool is consistent with PDIC's strategy of empowering users with user-friendly software reporting tools for creation/design of reports.

Insurance Claim System

A part of the Corporation's continuing improvement in the claims process was the development of an Insurance Claims System aimed at integrating the entire insurance claims process, from the preparation of the Masterlist of Deposit Liabilities (which is the input for claims examination) to claims settlement (the stage where insurance claimants actually receive their insurance claims), in one system. Migration of data, documentation, and system integration of all modules of the Claims System was initiated in 2011 and was ongoing until this year. Testing of enhancements relating to the generation of Masterlist of Deposit Liabilities (MODL) up to the Final Register of Estimated Insured Deposits (FREID) was completed and initially implemented for the closures of Ilocandia Community Bank (ICOM) and Rural Bank of Dasmariñas, Inc.

Real and Other Properties Acquired (ROPA) Monitoring System

The ROPA Monitoring System (ROPAMS) was procured in 2012. ROPAMS will support PDIC's efforts in documenting, monitoring and managing acquired assets of closed banks and PDIC. An additional feature of this system is the transfer of details of foreclosed collateral of secured loans from the Loans Monitoring System (LMS) to ROPAMS. Aside from supporting the effective and efficient management of real estate assets, cost savings from prompt payment of real property taxes and association dues is also a foreseen benefit of the ROPAMS. The ROPAMS shall serve as the subsidiary ledger of the Acquired Assets Account in the General Ledger (GL) System and is targeted for completion in 2013.

Loans Monitoring System

The Terms of Reference for the procurement of the Loans Monitoring System (LMS) was approved in 2012. Acquisition of the LMS will improve the Corporation's efficiency in the monitoring and administration of loan accounts of closed banks and those acquired by PDIC from banks granted financial assistance. It will also help in maintaining accuracy of loan information and instituting appropriate internal control measures in the handling and monitoring of accounts. The LMS will be integrated with the Integrated Financial System (IFS), Closed Banks Financial System and ROPAMS.

Capability-Building

The Corporation engaged the services of a professional consultant who provided assistance in the early adoption of Philippine Financial Reporting Standards (PFRS) 9 and to assist PDIC in ensuring that the PDIC Financial Statement as of yearend is presented in accordance with PFRS 9. In addition, the consultant conducted a two-day seminar/workshop on the provisions of PFRS 9 from November 7 to 8, 2012. Based on recent developments, the adoption of the PFRS 9 will be deferred to 2014. The International Accounting Standards Board (IASB) requires the implementation in 2015.

As part of PDIC's goal to continuously strengthen the organization with timely and relevant people-development programs, the following were conducted during the year: Seminar on Electronic Money or E-Money by the Bangko Sentral ng Pilipinas (BSP); Briefing on Life Support and First Aid in Times of Disaster by the Philippine National Red Cross; Forum on Understanding the Geo-Hazard Maps and Faultlines in Metro Manila by the Department of Environment and Natural Resources (DENR); The ABCs of Civil Registration: Birth, Marriage, Death and Correction by the National Statistics Office (NSO); Seminar on Bank Fraud Identification and Detection by Punongbayan and Araullo (P&A); Seminar-Workshop on Deposit Insurance, Banking Practices and Bank Conservatorship, Receivership and Liquidation by the Philippine Judicial Academy (PhilJA); Workshop-Seminar on Supervisory Approaches by the Financial Sector Forum (FSF); Documents Authentication by Foreign Embassies and Consulates; and Judicial Affidavit Rule. Similarly, the 7 Habits Applications for Supervisors/Managers and Learning Session on Developing a Customer Service Philosophy for members of the Management Committee were conducted.

Quality Workplace

The PDIC Quality Workplace Program through 5S of Good Housekeeping aims to enhance the workplace

and build a culture of continuous improvement towards public service and excellence. The Corporation started preparing for the institutionalization of the program, which is scheduled for launch in early 2013. One of the major preparations undertaken by PDIC was the creation of the 5S Core Group tasked to oversee and ensure the overall implementation of the 5S Program, provide general guidelines/directions and ensure that the program's resource requirements are adequately supported, and spearhead the formulation of the quality workplace standards and implementation plan. Under the 5S Core Group were the 5S Committees, namely, 1) Advocacy and Promotions, 2) Training and Education, 3) Monitoring and Evaluation, and 4) Recognition and Awards.

As part of the implementation of the 5S Program, the PDIC collaborated with the Development Academy of the Philippines (DAP) and conducted two training courses: 1) Trainers' Training on 5S Good Housekeeping and 2) 5S Internal Audit, in which PDIC officers and staff participated.

The Standard Operating Guidelines and Instructions (SOGI) on Quality Workplace was likewise formulated. The SOGI, which took effect on November 26, 2012 and will be implemented in 2013, covers the implementation, monitoring, and maintenance of a quality workplace in the Corporation.

The PDIC 5S Program necessitates elimination of loss and waste, disciplined workforce, improvement of working conditions, and total participation to steer its employees towards a culture of quality and productivity as well as to strengthen the organizational capability to serve. The program was adopted by the Corporation in 2010 and was one of the issues addressed by the Work Improvement Teams in 2011. Preparations for the program started in 2011 covering executive orientation, situation appraisal, and workshop on 5S of Good Housekeeping for the 5S Committee.

Customer Philosophy

In its pursuit of public service excellence, the Corporation adopted the Customer Philosophy, "Committed to Serve", and launched this on September 3, 2012. To drum up interest on the newly-launched customer service philosophy, a poster-making contest open to all PDIC personnel was held and winners were announced in November 2012.

Other Legal Initiatives

In December, the PDIC renewed its partnership with the Philippine Judicial Academy (PhilJA) for the continuing collaboration with members of the judiciary in enhancing appreciation of depositor protection and financial stability. PDIC President Valentin A. Araneta and PhilJA Chancellor Justice Adolfo S. Azcuna signed a memorandum of understanding for the conduct of the 5th Seminar-Workshop on Deposit Insurance, Banking Practices and Bank Conservatorship, Receivership and Liquidation to be held during the year.

Meanwhile, the Legal Affairs Sector embarked on a project that provides templates for legal documents frequently used by the Corporation to perform its mandates. The project aims to simplify and streamline the preparation of such legal documents by providing a uniform and standard format for common legal provisions.

Through this initiative, document users can just fill out the blank space in the pre-drafted contracts, thereby significantly reducing the turnaround time (TAT) in the preparation of these documents and resulting in a much faster completion and delivery of the legal documents to PDIC clients. The project likewise eliminates common mistakes in contract drafting such as typographical errors since the forms are already templated and in portable document format.

A total of 32 templates for legal documents was approved as of yearend. These include various kinds of affidavits, cancellation of mortgage, deed of absolute sale, deed of assignment, contract to sell, contract of lease, as well as various service contracts frequently used by the Corporation, closed banks' depositors, creditors and borrowers.

AS A CORPORATE ORGANIZATION

Financial Literacy Advocacy

The Be A Wise Saver (BAWS) program is PDIC's nationwide campaign on responsible banking and wise saving in partnership with the BSP, Bankers Association of the Philippines (BAP), Chamber of Thrift Banks (CTB), Rural Bankers Association of the Philippines (RBAP) and the Bank Marketing Association of the Philippines (BMAP). During the year, the PDIC conducted BAWS roadshows in Pampanga, Pangasinan, Ilocos Norte, Laguna, Batangas and Tarlac.

The Corporation also actively participated in the consumer education activities of the Financial Sector Forum (FSF) in 2012 by taking part in three BSP Financial Literacy Expositions as resource speakers. These expositions were held in Roxas City, Batac City, Ozamis City, Lucena City, Cotabato City, and Mactan City. The distribution of BAWS brochures and posters in the respective local government units and schools in the said provinces was undertaken to increase public awareness on responsible banking and wise saving.

International Linkaging

The Corporation pursued its vision of becoming a world-class organization in depositor protection by figuring prominently in efforts promoting international relations and knowledge-sharing with foreign counterparts. President Valentin A. Araneta, a member of the Executive Council (EXCO) of the International Association of Deposit Insurers (IADI), was elected as Chairman of the IADI Audit Committee. PDIC officials also participated as resource speakers, panelists and delegates to the various conferences organized by the IADI such as: 35th IADI EXCO and Standing Committee Meeting (Istanbul, Turkey); 6th Deposit Insurance Corporation of Japan (DICJ) Roundtable Discussion on Financial Crisis and Policy Responses (Kyoto, Japan); 10th Asia Pacific Regional Committee Meeting and International Conference (Moscow, Russia); 36th IADI EXCO and Standing Committee Meetings (Washington, USA); Financial Stability Institute-IADI Seminar on Bank Resolution: Current Developments, Challenges, Opportunities (Basel, Switzerland); 11th IADI Annual General Meeting and International Conference (London, United Kingdom); and IADI Core Principles Compliance Assessment Regional Workshop (Nairobi, Kenya).

The PDIC also sustained knowledge-sharing activities with deposit insurance peers. In December 2012, three officers from Perbadanan Insurans Deposit Malaysia (PIDM) visited the PDIC to observe and learn from the way the Corporation handles day-to-day Call Center operations and crisis management.

Preparations for the Golden Anniversary

The PDIC is set to celebrate its 50th anniversary in June 2013, concurrent with the Corporation's hosting of the 39th IADI Executive Council Meeting and International Conference on "Financial Inclusion: Challenges and Issues for the Deposit Insurer." Indicative program of activities for the meeting and conference as well as the budget allocation were approved by the PDIC Board during the year. Invitations have been sent to prospective international speakers for the Conference as of yearend.

The Corporation created an Anniversary Committee to oversee the preparations for the golden year. The Committee is tasked to recommend activities to celebrate the milestone year. Foremost of these were the creation of the 50th anniversary logo with the essential elements of the 50 years and the customer service philosophy, "Committed to Serve", and the issuance of the Php50-commemorative bill in coordination with the BSP.

Another highlight will be the launch of a guidebook on basic banking and financial transactions to be written by best-selling author and financial adviser, Efren Ll. Cruz. Cruz, a Registered Financial Planner, was tapped to write the guidebook and his engagement as book author was announced in simple ceremonies in September 2012.

The guidebook is envisioned to be made available to members of the financially vulnerable sector of the society such as overseas Filipino workers (OFWs) and their families and beneficiaries, retirees and senior citizens, in a depositor education and public awareness campaign to be implemented for the purpose.

In October 2006, the Basel Committee on Banking Supervision (BCBS) acknowledged that a carefully designed system of deposit insurance can contribute to public confidence in the financial sector to limit contagion from banks in distress. The Financial Stability Forum Report, in the events leading to international financial turmoil in 2008, stressed that "authorities should agree on international set of principles for effective deposit insurance systems." Thus, in July 2008, the BCBS and the International Association of Deposit Insurers (IADI) agreed to collaborate to develop an internationally agreed set of Core Principles. The final version was issued in June 2009. In December 2009, IADI, along with BCBS, the European Forum of Deposit Insurers (EFDI), and the International Monetary Fund (IMF) established a Steering Committee to develop a methodology for assessing compliance with the Core Principles. The resulting draft methodology was subjected to pilot tests in Czech Republic, India and Mexico in December 2010. On December 27, 2010, the final draft of the Methodology was submitted to the Financial Stability Board (FSB) Chairman for inclusion in the FSB Compendium of Standards and adoption by FSB and the Group of 20 (G-20) in its peer review of deposit insurance systems. A Handbook to serve as a guide in the assessment of compliance with the Core Principles was published in May 2011.

For its part, the PDIC carried out a voluntary self-assessment to determine current level of compliance with the Core Principles, identify gaps in PDIC's existing operations and ensure that these gaps are adequately addressed. As part of the self-assessment process, PDIC collaborated with other financial safety-net players.

An IADI-Counterpart Assessment Team (I-CAT) was organized through Office Order No. 15 dated January 19, 2012. Composed of selected members of PDIC Executive Committee and Management Committee, I-CAT was tasked to prepare for the assessment on PDIC's compliance with the IADI Core Principles by the IADI External Assessor Team (EAT) and the World Bank (WB). The I-CAT was also tasked to closely collaborate and ensure in-depth discussions regarding issues on compliance with the Core Principles with financial safety-net players, the Department of Finance, and bank associations. The same Office Order constituted the I-CAT Secretariat, composed of selected officers and staff, to provide technical and administrative support to the I-CAT.

In preparation for the task, the members of the I-CAT attended trainings/workshops on the Core Principles in Basel (Switzerland), Kuala Lumpur (Malaysia), and Nairobi (Kenya) to understand the assessment methodology and the significance of each essential and additional criterion as well as to act as facilitator.

The PDIC participated in the *Seminar on the Assessment of Compliance with the Core Principles for Effective Deposit Insurance Systems* jointly organized by the Financial Stability Institute (FSI) and the IADI from September 6 to 8, 2011 in Basel, Switzerland. The participants were guided and trained in conducting assessment using the Assessment Methodology and Guidebook for the Assessment of Compliance with the Core Principles for Effective Deposit Insurance Systems. The Seminar's agenda included discussion of background on the Core Principles and preconditions, European and private deposit insurance systems context, and discussion of the Core Principles. A panel discussion to tackle overall assessment process, documents and data, questionnaire and questions for safety-net participants, preparation of assessment report, and corrective action plan capped the last day of the Seminar.

Meanwhile, six PDIC officers attended the *Third Regional Workshop on the Assessment of Compliance with the Core Principles for Effective Deposit Insurance Systems* hosted by the Perbadanan Insurans Deposit Malaysia (PIDM) from March 25 to 29, 2012 in Kuala Lumpur, Malaysia. The officers represented all sectors in PDIC as the Core Principles encompass all major areas of an effective deposit insurance system.

The Workshop discussed the Core Principles including assessment and ratings, overview of the PIDM and Malaysian safety net, key corrective actions, and Core Principles on Islamic banking. The Workshop guided and trained participants in conducting actual compliance assessment. The lessons learned served as a guide for PDIC in conducting its own self-assessment with the Core Principles.

The PDIC also acted as one of the assessors in the *Fifth Regional Workshop on the Assessment of Compliance with the Core Principles for Effective Deposit Insurance Systems* held in Nairobi, Kenya from November 4 to 10, 2012. The Workshop agenda was patterned after that of the Malaysia workshop, focusing on the background on Core Principles, overview of Kenya's Deposit Protection Fund Board (DPFB) and Kenyan financial safety-net; and compliance assessment of DPFB to the Core Principles. PDIC facilitated the Workshop for three of the 18 Core Principles.

Following the training, gathering of available source documents and conduct of self-assessment per Core Principle were carried out. A claim for compliance to each essential/additional criterion was supported by existing laws, policies, programs and procedures affecting the deposit insurance system based on available documents. The experiences of I-CAT members in the regional workshops for compliance assessment of other deposit insurance agencies were also considered in the internal assessment made for PDIC.

The PDIC likewise consulted with other safety-net players in the course of the self-assessment particularly the Bangko Sentral ng Pilipinas (BSP) and the Cooperative Development Authority (CDA) to discuss core principle issues that affect them. PDIC consulted with the BSP on Principle 2 (Mitigating moral hazard), Principle 4 (Powers), Principle 6 (Relationship with other safety-net participants), and Principle 15 (Early detection and timely resolution) inasmuch as compliance with these principles also requires BSP's action. PDIC likewise discussed with the regulatory authority and the confederation of non-stock savings and loan associations (NSSLAs) about the need to provide deposit insurance coverage for deposits in NSSLAs. PDIC was also apprised by the CDA that a voluntary deposit insurance system for cooperatives is now being initiated by a secondary cooperative created for the purpose.

The I-CAT used the following IADI five-grade scale assessment methodology which defines the essential and additional criteria for every Core Principle:

1. **Compliant (C)**: When the essential criteria are met without any significant deficiencies
2. **Largely Compliant (LC)**: When only minor shortcomings are observed and the authorities are able to achieve full compliance within a prescribed time frame.
3. **Materially Non-Compliant (MNC)**: Severe shortcomings which cannot be rectified easily.
4. **Non-Compliant (NC)**: No substantive implementation of the Core Principle
5. **Not Applicable (NA):** Not considered given the structural, legal, and institutional features of the deposit insurance system.

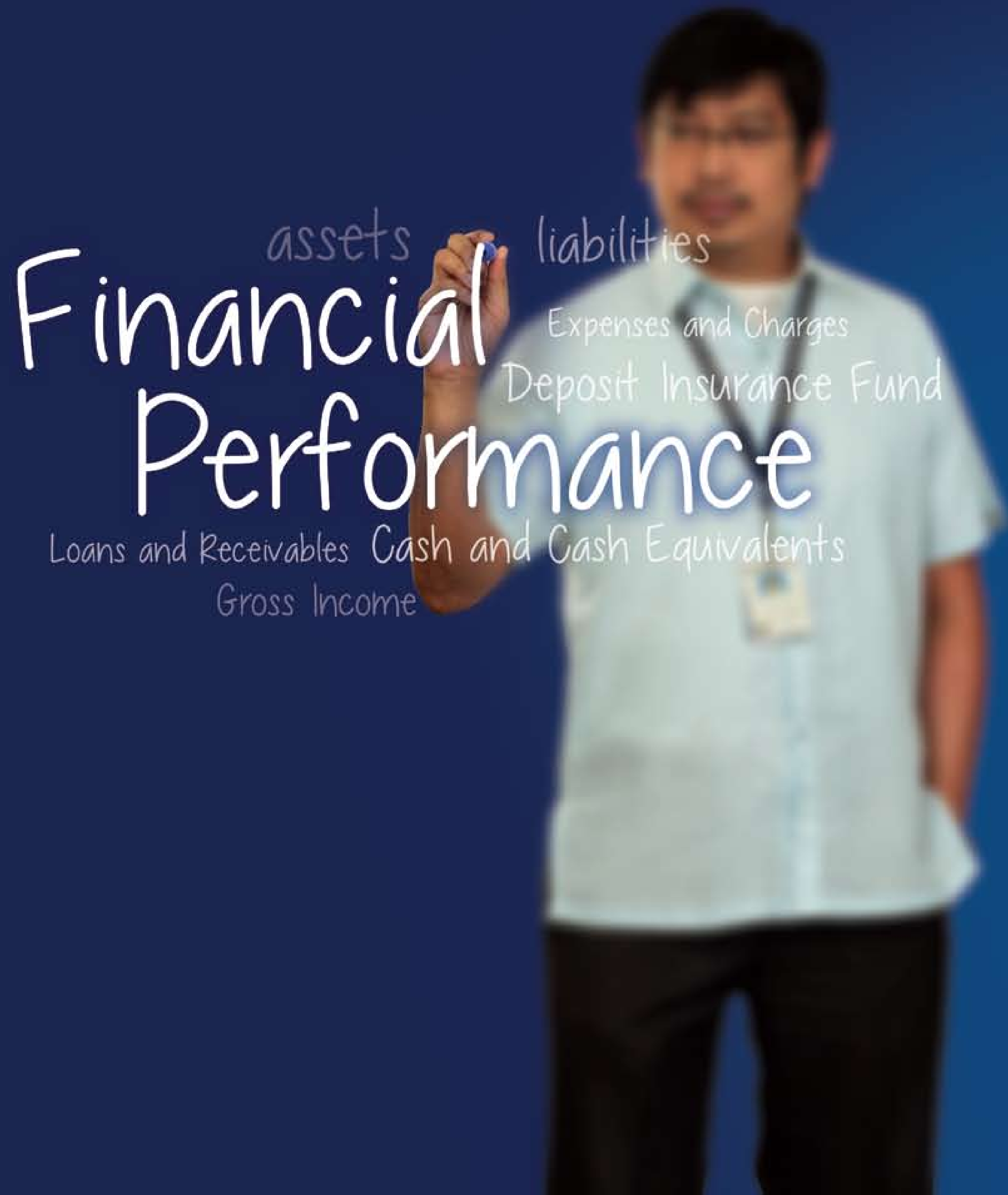
The internal assessment by I-CAT, which was presented to the PDIC Board, showed that PDIC is deemed Compliant (C) on 13 of the 18 Core Principles, Largely Compliant (LC) on four and Not Applicable on one. The summary of assessment on PDIC's compliance on the Core Principles is shown in the Table below.

The PDIC is set for external assessment by an IADI team of experts in June 2013.

Summary of Compliance with the Core Principles on Effective Deposit Insurance Systems Based on Internal Assessment

Core Principles	Rating
1. Public Policy Objectives	C
2. Mitigating Moral Hazard	LC
3. Mandate	C
4. Powers	LC
5. Governance	C
6. Relationship with Other Safety-Net Participants	C
7. Cross-border Issues	LC
8. Compulsory Membership	C
9. Coverage	C
10. Transitioning from Blanket Guarantee to a Limited Coverage Deposit Insurance	NA
11. Funding	C
12. Public awareness	C
13. Legal protection	C
14. Dealing with parties at fault in a bank failure	C
15. Early detection and timely intervention and resolution	LC
16. Effective resolution processes	C
17. Reimbursing depositors	C
18. Recoveries	C

(Key: C=Compliant; LC= Largely Compliant; MNC= Materially Noncompliant; NC=Noncompliant; NA=Not Applicable)



ASSETS

The Corporation's aggregate resources grew by Php6.4 billion to Php167.3 billion. This is 4.0% higher than the Php160.9 billion posted in 2011. Available-for-sale investments and other assets mainly accounted for the favorable growth in resources.

Cash and Cash Equivalents

Cash and cash equivalents witnessed a substantial decline of 81.6%, or Php9.5 billion, to Php2.1 billion from Php11.7 billion in 2011. The decrease was primarily accounted for by the significant amount drawn for payment of insured deposit claims of depositors of closed banks which included a 50-unit commercial bank. Other contributing factors to the decline were the shift from short-term investments to high-yielding investments with longer term, payment of loans to the Bangko Sentral ng Pilipinas (BSP) and Land Bank of the Philippines (LBP), and payment of other expenses.

Available-for-sale Investments

Investments consisting of special deposit accounts, special savings deposits, time deposits, and Treasury bonds/bills/notes, significantly increased by 19.1%, or Php20.3 billion, to Php126.6 billion from Php106.3 billion in 2011. The increase was mainly due to transfer of investments with short-term tenors from Cash and Cash Equivalents and additional placements from proceeds of interests and loan collections.

Loans and Receivables

Total loans and receivables posted a decline of 10.9% to Php36.9 billion, down by Php4.5 billion from Php41.4 billion registered in 2011. The decline was mainly driven by the Php4.4 billion settlement of loans from banks with outstanding financial assistance, offset by Php1.3 billion grant of financial assistance to three banks, and decrease of Php2.4 billion in the Subrogated Claims Receivable (SCR) from insured deposits paid and accrued during the year net of additional allowance for doubtful accounts and recoveries. Total insured deposit payments for the year amounted to Php6.4 billion, with average loss rate at 85%.

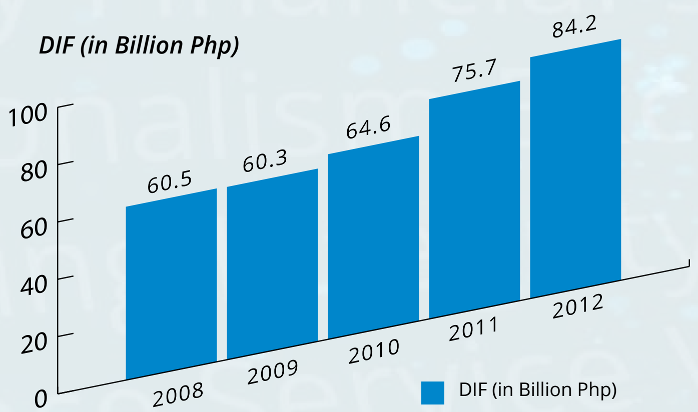
LIABILITIES

Total liabilities decreased by 2.5% to Php83.1 billion from Php85.2 billion in 2011 mainly due to the drop in the Corporation's loans payable and insured deposit claims payable. The latter is composed of unpaid but validated insured deposits as of yearend, amounting to Php2.5 billion. The payment of loan from the LBP resulted in a decrease by Php1.5 billion to Php65.2 billion of PDIC's loans payable. However, accounts payable and other liabilities posted an increase of Php807.9 million, bringing the total amount to Php15.4 billion as of yearend.

DEPOSIT INSURANCE FUND (DIF)

The DIF, the capital account of the Corporation, increased by 11.3%, or Php8.6 billion, to Php84.2 billion from Php75.7 billion in the previous year due to the Php4.8 billion addition to reserves for insurance losses and gains in retained earnings of Php3.9 billion. Reserves for insurance losses went up to Php65.1 billion from Php60.3 billion in 2011. Meanwhile, retained earnings climbed to Php10.3 billion by yearend from Php6.5 billion in 2011. Retained earnings was net of dividends remitted to the National Government in the amount of Php655.5 million which is 50% of Profit before Tax Subsidy. Aside from the additional reserves and retained earnings, the DIF has a third component, the Permanent Insurance Fund (PIF), currently at Php3.0 billion, as provided for under the PDIC Charter.

DIF (in Billion Php)



Gross Income

Gross income of the Corporation went down by 4.5% to Php17.0 billion from Php17.8 billion in the previous year. Assessments collected from member-banks posted a modest 4.2% increase to Php10.5 billion from Php10.1 billion in 2011. This was buoyed by the increase in the total deposits of banks which reached Php5.7 trillion compared to last year's level of Php5.4 trillion. The increase in assessment collection reflects the upward trend of deposits in banks observed since 2010. Income from investments and financial assistance decreased by 11.7% and 10.8%, respectively.

Income from investments declined to Php5.3 billion from Php5.9 billion in 2011 resulting from the lower interest rates on investments for the year brought about by the sale of higher yielding investments in 2011. Likewise, income from financial assistance went down to Php428.6 million from Php480.4 million in the previous year mainly on account of the non-accrual of interest on the loan of a bank that closed during the year.

Expenses and Charges

Expenses and charges fell 3.5% to Php14.7 billion from Php15.3 billion in 2011. The decrease was mainly due to the decline in Insurance and Financial Assistance Losses, as well as in Interest on Borrowings. Insurance and Financial Assistance Losses decreased by 27.1% to Php6.4 billion from Php8.8 billion in the past year. Interest on borrowings went down by 7.5% to Php2.1 billion from Php2.2 billion in 2011. The Insurance and Financial Assistance Losses account includes the Deposit Claims Pay-out Expenses[13], Rehabilitation Cost and the Receivership and Liquidation Expense. The Deposit Claims Pay-out Expenses dropped by 50% from Php8.8 billion in 2011 to Php4.4 billion in 2012, resulting from the lower number of bank closures in 2012 as compared to previous year. The decline in Deposit Claims Pay-out Expenses more than offset the Php2.0 billion Rehabilitation Cost booked, representing loss from a bank granted financial assistance that closed during the year and the increase in Receivership and Liquidation Expenses from Php1.2 million in 2011 to Php3.2 million in 2012[14]. Operating Expenses and Additions to Reserves, increased by 4.4% and 68.2%, respectively. Additions to Reserves almost doubled to Php4.8 billion from Php2.9 billion in 2011, while Operating Expenses increased to Php1.5 billion from Php1.4 billion.

[13] Estimated losses on deposit insurance claims paid, based on the respective estimated value of assets and preference of credits in the liquidation of closed banks.

[14] Estimated losses on receivables from closed banks for necessary expenses advanced by the Corporation as receiver and liquidator

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

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Philippine Deposit Insurance Corporation
Makati City

We have audited the accompanying financial statements of the Philippine Deposit Insurance Corporation (PDIC), which comprise the statement of financial position as at December 31, 2012, and the statement of income, statement of comprehensive income, statement of changes in deposit insurance fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

As discussed in item no. 1 of Part II-A of the Audit Report, impairment loss on the Corporation's P12 billion investment in a sequestered Bank was not recognized in the 2009 - 2011 financial statements. In the 2012 financial statements, Management still maintained its position not to recognize impairment loss amounting to P5.697 billion, which is a departure from Philippine Accounting Standards 39. Had the impairment loss been recognized by the Corporation, total expenses would have been increased by P5.697 billion and income for the year would have been reduced by the same amount.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the Philippine Deposit Insurance Corporation as at December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

COMMISSION ON AUDIT

EDUARDO D. PADERNAL
Supervising Auditor

24 May 2013

STATEMENT OF FINANCIAL POSITION

For the year ended December 31, 2012
(In Thousand Pesos)

	Note	2012	2011 (as restated)
ASSETS			
Cash and cash equivalents	3	2,146,154	11,672,818
Available-for-sale investments	4	126,598,894	106,259,764
Loans and receivables	5	36,910,079	41,432,774
Property and equipment	6	153,987	158,949
Intangible assets	7	61,962	57,119
Other assets	8	1,436,447	1,323,124
TOTAL ASSETS		**167,307,523**	**160,904,548**
LIABILITIES AND DEPOSIT INSURANCE FUND			
Liabilities			
Accounts payable and other liabilities	9	15,363,885	14,556,024
Insured deposit claims payable	10	2,481,058	3,961,810
Loans payable	11	65,225,884	66,713,148
		83,070,827	**85,230,982**
Deposit Insurance Fund			
Permanent insurance fund		3,000,000	3,000,000
Reserves for insurance losses		65,095,282	60,295,282
Retained earnings		10,335,020	6,469,483
Accumulated other comprehensive gain/(loss)		5,806,394	5,908,801
		84,236,696	**75,673,566**
TOTAL LIABILITIES AND DEPOSIT INSURANCE FUND		**167,307,523**	**160,904,548**

The Notes on pages 72 to 81 form part of these financial statements.

STATEMENT OF INCOME

For the year ended December 31, 2012
(In Thousand Pesos)

	Note	2012	2011 (as restated)
INCOME			
Assessments	13	10,480,010	10,061,924
Income from investments	14	5,254,658	5,950,105
Income from financial assistance	15	428,552	480,412
Other income	17	858,486	1,330,732
		17,021,706	**17,823,173**
EXPENSES AND CHARGES			
Operating expenses	18	1,456,187	1,394,205
Additions to reserves	20	4,800,000	2,854,309
Insurance and financial assistance losses	21	6,400,212	8,780,827
Interest on borrowings	22	2,062,512	2,229,825
		14,718,911	**15,259,166**
PROFIT BEFORE TAX		2,302,795	2,564,007
Income tax expense	19	991,854	1,557,317
PROFIT BEFORE TAX SUBSIDY		**1,310,941**	**1,006,690**
Income from tax subsidy	16	3,210,066	1,712,882
PROFIT		**4,521,007**	**2,719,572**

The Notes on pages 72 to 81 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2012
(In Thousand Pesos)

	2012	2011 (as restated)
PROFIT	**4,521,007**	**2,719,572**
OTHER COMPREHENSIVE GAIN/(LOSS)		
Unrealized gain/(loss) on investments	(102,407)	5,950,877
TOTAL COMPREHENSIVE INCOME	**4,418,600**	**8,670,449**

The Notes on pages 72 to 81 form part of these financial statements.

STATEMENT OF CHANGES IN DEPOSIT INSURANCE FUND

For the year ended December 31, 2012
(In Thousand Pesos)

	2012	2011 (as restated)
PERMANENT INSURANCE FUND		
Balance at beginning / end of year	**3,000,000**	**3,000,000**
RESERVES FOR INSURANCE LOSSES		
Balance at beginning of year	60,295,282	57,440,973
Additions / deductions	4,800,000	2,854,309
Balance at end of year	**65,095,282**	**60,295,282**
RETAINED EARNINGS		
Balance at beginning of year	6,469,483	4,254,620
Net income after tax	4,521,007	2,719,572
Dividends to the National Government	(655,470)	(504,709)
Balance at end of year	**10,335,020**	**6,469,483**
ACCUMULATED COMPREHENSIVE GAIN/ (LOSS)		
Balance at beginning of year	5,908,801	(42,076)
Unrealized gain/(loss) on investments	(102,407)	5,950,877
Balance at end of year	**5,806,394**	**5,908,801**
DEPOSIT INSURANCE FUND	**84,236,696**	**75,673,566**

The Notes on pages 72 to 81 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2012
(In Thousand Pesos)

	Note	2012	2011 (as restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Assessment collections		10,314,430	9,868,889
Income from investment		6,286,855	6,493,094
Collection of loans and assets acquired from banks		4,680,621	3,145,941
Income from financial assistance		41,447	1,977
Collection from banks under receivership and liquidation		35,952	36,919
Dividend, service and miscellaneous income		34,271	14,186
Collection of subrogated claims receivable		24,353	35,942
Payment of taxes / income tax deficiencies		(2,157)	(1,028)
Collection / payments of various payables		(9,465)	177,202
Advances for receivership and liquidation operations		(21,662)	(108,172)
Payment of cash advances and various receivables		(83,276)	(20,965)
Payment of interest on borrowings		(674,210)	(710,474)
Maintenance and other operating expenses		(1,260,985)	(1,184,227)
Extension of loan to banks		(1,287,822)	-
Payment of insured deposits		(6,376,607)	(14,581,577)
Net cash provided by operating activities		**11,701,745**	**3,167,707**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from matured investment		140,998,660	153,196,076
Placement in various investment		(161,739,859)	(149,043,538)
Cost of purchased property and equipment		(10,464)	(32,354)
Net cash (used in)/provided by investing activities		**(20,751,663)**	**4,120,184**
CASH FLOWS FROM FINANCING ACTIVITIES			
Final withholding tax on investments charged to TEF		1,515,003	1,481,567
Borrowings from BSP/LBP		15,862	1,500,000
Payment of dividends to National Government		(504,709)	(581,263)
Payment of loans to BSP/LBP		(1,502,749)	(2,803,869)
Net cash used in investing activities		**(476,593)**	**(403,565)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(9,526,511)	6,884,326
CASH AND CASH EQUIVALENTS, BEGINNING		11,672,818	4,788,461
Effect of foreign currency revaluation		(153)	31
CASH AND CASH EQUIVALENTS, END	**3**	**2,146,154**	**11,672,818**

The Notes on pages 72 to 81 form part of these financial statements.

(All amounts in Thousand Pesos unless otherwise stated)

1. GENERAL/CORPORATE INFORMATION

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

The Corporation's principal office is located at the 4th – 10th Floor SSS Bldg., 6782 Ayala Ave. corner V.A. Rufino St. Makati City.

As at December 31, 2012, PDIC's total manpower complement is 592 (187 officers and 405 rank and file employees), of which, one is a Presidential appointee, 575 are permanent, 13 are coterminous and 3 are temporary.

The financial statements were authorized for issuance by the Board of Directors on February 25, 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The Corporation's financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). The term PFRS in general includes all applicable PFRS, Philippine Accounting Standards (PAS) and Standing Interpretations Committee (SIC)/International Financial Reporting Standards 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 are accounted for separately from the assets and liabilities of the Corporation to ensure that liquidation proceeds are distributed in accordance with applicable laws and regulations. Also, the income and expenses attributable to receivership/liquidation are accounted for as transactions of the closed banks, and expenses advanced by the Corporation are booked as accounts receivable and billed by the Corporation against the respective closed banks.

The financial statements of the Corporation have been prepared under the historical cost basis, except for available-for-sale (AFS) investments that have been measured at fair value. The financial statements are presented in Philippine Peso and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 Use of judgments and estimates

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

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

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

a. Impairment of AFS financial assets

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

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

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

c. Impairment losses of loans and receivables from banks

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

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

The subrogated claims receivable (SCR) account represents payments made by the Corporation on deposit insurance claims and is periodically reviewed to determine whether an impairment loss should be recorded based on the probability of non-recovery of such exposure upon liquidation of closed banks. This is computed taking into consideration the closed banks' respective Estimated Realizable Value of Assets (ERVA) and preference of credits in the liquidation process.

On the other hand, the accounts receivable – receivership and liquidation account consists of expenses incurred by the Corporation for its receivership and liquidation functions charged against closed banks and is reviewed on the same basis as the SCR, to determine whether an impairment loss should be recorded.

e. Estimated useful lives of property and equipment

The Corporation uses the prescribed estimated useful lives of property and equipment account.

f. Contingencies

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

2.3 Changes in accounting policies and disclosures

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

2.3.1 <u>New and amended standards and interpretations</u>

The following new standards, amendments and interpretations to existing PFRS which became effective for accounting period beginning on or after January 1, 2012, did not have a significant impact on the accounting policies, financial position or performance of the Corporation.

- PAS 12 (Amendment), Deferred Tax: Recovery of Underlying Assets (effective January 1, 2012)

  The amendment requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in PAS 40, Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will normally be through sale.

- PAS 1 (Amendment), Presentation of Financial Statements – Other Comprehensive Income (effective July 1, 2012)

  The amendment to PAS 1 changes the grouping of items presented in other comprehensive income (OCI). Items that could be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment enables easier identification of the potential impact that OCI items may have on future profit and loss. The amendment affects presentation only and has therefore no impact on the Corporation's financial position or performance.

2.3.2 <u>Issued PFRS but are not yet effective</u>

Accounting standards issued but not yet effective up to date of issuance of the Corporation's financial statements are listed below. The listing consists of accounting standards and interpretations issued, which the Corporation reasonably expects to be applicable at a future date. The Corporation intends to adopt these standards when they become effective, except as otherwise indicated. The Corporation does not expect adoption of these new and amended PFRS and Philippine Interpretations to have significant impact on its financial statements.

- PAS 32, Financial Instruments: Presentation – Offsetting of Financial Assets and Financial Liabilities (effective January 1, 2014)

  These amendments to PAS 32 clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendment affects presentation only and has therefore no impact on the Corporation's financial position or performance.

- PFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective January 1, 2013)

  These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral arrangements). The new disclosures are required for all recognized financial instruments that are set-off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or "similar agreement", irrespective of whether they are set-off in accordance with PAS 32. The amendments require disclosing in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

  a) The gross amounts of those recognized financial assets and recognized financial liabilities;
  b) The amounts that are set-off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
  c) The net amounts presented in the statement of financial position;
  d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
     i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
     ii. Amounts related to financial collateral (including cash collateral); and
  e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

- PFRS 9, Financial Instruments: Classification and Measurement (effective January 1, 2015)

  PFRS 9 as issued reflects the first phase on the replacement of PAS 39, Financial Instruments: Recognition and Measurement, and applies to classification and measurement of financial assets and financial liabilities as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2015. The subsequent phases of the financial instrument project, being the hedge accounting and impairment of financial assets, are still work in progress. The FRSC is also considering limited improvements to PFRS 9 regarding the classification and measurement of financial instruments. The Corporation targets to early adopt PFRS 9 for its 2014 financial reporting. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Corporation's financial assets and measurements of financial liabilities.

- PFRS 13, Fair Value Measurement (effective January 1, 2013)

  PFRS 13 establishes a single set of principles on how to determine fair value of financial and non-financial assets and liabilities. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure under PFRS when fair value is required or permitted. PFRS 13 requires new disclosures on valuation techniques and inputs used to determine fair values and the effect of certain inputs on fair value measurement. The Corporation is currently assessing the impact that this standard will have on the financial position and performance.

2.4 Significant accounting policies

a. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other check items, working funds, savings and demand deposits, and short-term, highly liquid investments that are readily convertible to cash and are subject to an insignificant risk of changes in value, having been within three months of maturity when placed or acquired.

b. Financial assets

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

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

b.1. AFS investments

AFS investments are non-derivative financial assets that are designated as AFS or those securities that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. After initial recognition, AFS financial assets are measured at fair value with gains and losses being recognized as a separate component of capital until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in capital should be recognized in the statement of comprehensive income.

b.2. HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. These investments are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the statement of income when the HTM are derecognized and impaired, as well as through the amortization process.

b.3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are carried at original amounts less allowance for impairment established when there is objective evidence that the Corporation will not be able to collect all amounts due according to the original terms. The amount of the allowance is the difference between the carrying amount and the recoverable amount.
Subrogated claims receivable arises from payment of the insured deposits of any depositor since the Corporation is subrogated to all rights of the depositor against a closed bank to the extent of such payment. Such subrogation shall include the right on the part of the Corporation to receive the same payments and dividends from the proceeds of the assets of such closed bank and recoveries on account of stockholders' liability as would have been payable to the depositor on a claim for the insured deposits but such depositor shall retain his claim for any uninsured portion of his deposit.

c. Impairment of assets

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

c.1. Impairment of financial assets

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

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

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

3) For assets carried at cost, impairment is measured as the difference between the carrying amount and the estimated future cash flows.

c.2. Derecognition of financial instruments

1) Financial asset

A financial asset is derecognized when:

a) The rights to receive cash flows from the asset have expired;

b) The Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

c) The Corporation has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Corporation has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Corporation's continuing involvement in the asset.

2) Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

d. Property and equipment

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

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

Building	30 years
Books	10 years
Transportation equipment	7 years
Information technology (integral part) and computer	5 years
Furniture, fixtures and equipment	3 years
Leasehold improvements	3 years

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

e. Intangible assets

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

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

f. Acquired assets from banks

The Corporation is authorized to purchase the non-performing assets of an insured bank as a mode of financial assistance. Acquired assets also include those received from closed banks as payment for subrogated claims receivables and advances for receivership and liquidation expenses. The acquired assets may consist of loans and/or real and other properties (ROPA). These are booked at cost with periodic valuation for impairment and the ROPA are being held for sale.

g. Borrowings and borrowing costs

Borrowings of the Corporation are mostly sourced from the Bangko Sentral ng Pilipinas in accordance with Section 18 of Republic Act 3591 to fund financial assistance to banks and claims for insured deposits. Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowing costs are recognized as expense in the year in which these costs are incurred.

h. Deposit insurance fund

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

Since 2003, the Corporation adopted the Target Fund Approach in setting a target level of the DIF based on direct threat and potential demand on the Corporation's capital, as evaluated against the risks in the banking system as of a given date.

i. Permanent insurance fund

This is the total capital provided by the National Government by virtue of R.A. 3591, as amended. The full capitalization was reached in 1994 with the conversion of the obligations of the Corporation to the then Central Bank of the Philippines in the amount of P977.787 million into equity of the National Government.

j. Reserves for insurance losses

PDIC records an estimated loss for banks not yet closed but identified through a monitoring process as likely to fail in the future unless intervention from third party is made, such as the grant of financial assistance as part of a bank's rehabilitation. This probability of closure is the basis in determining the existence of a loss contingency. The insurance reserve is recorded in the books as reserves for insurance losses.

k. Income recognition

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

k.1. Assessments

Assessment collections from member banks are recognized as income in the period these were 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 6 of the Charter. 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 the 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.

k.2. Income from investments

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

k.3. Income from financial assistance

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

k.4 Income from tax subsidy

Tax obligations paid through the Tax Expenditure Fund in accordance with Section 17c of Republic Act (RA) 3591, as amended by RA 9576, are booked as income. This shall be for a period of five years starting June 1, 2009 and on the 6th year and thereafter, the Corporation shall be exempt from income tax, final withholding tax, value-added tax on assessments collected from member banks, and local taxes.

l. Dollar-denominated assets

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

m. Employee benefits

m.1. Provident fund

In accordance with Section 8 (11) of the Charter, the Corporation has a Provident Fund, which is a defined contribution plan, divided into general fund and housing fund, consisting of contributions made both by its officers and employees and the Corporation. Starting December 16, 2009, corporate contribution is vested on the employees based on their length of service in the Corporation as follows:

Years of Service	Percentage
Less than 1 year	0
1 year but less than 2 years	20
2 years but less than 3 years	30
3 years but less than 4 years	40
4 years but less than 5 years	50
5 years or more	100

The Fund is administered by its Board of Trustees.

m.2. Retirement

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

m.3. Accrued leave pay

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

n. Leases

n.1. Operating lease

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

n.2. Finance lease

Leases of assets where the Corporation substantially assumes all the risks and rewards of ownership are classified as finance lease. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and the finance charges so as to achieve a constant rate on the outstanding balance of the finance lease. The corresponding rental obligations, net of finance charges, are included in the payables of the Corporation.

o. Financial assistance to banks

In accordance with Sec. 17 (d) of R.A. 3591, as amended, the Corporation may grant financial assistance to a distressed member bank for its rehabilitation to prevent closure, provided such assistance is the least costly alternative. In applying the Optimal Cost Resolution principle, the alternative chosen must not cost more than the estimated cost of actual payout 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.

3. CASH AND CASH EQUIVALENTS

This account includes the following:

	2012	2011 (as restated)
Cash on hand [3.1/]	6,754	26
Cash in bank [3.2/]	190,946	403,017
Short-term investments [3.3/]	1,948,454	11,269,775
	2,146,154	**11,672,818**

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

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

3.3 The account refers to investments classified as cash equivalents having maturities of three months or less from the date of acquisition/placement.

4. AVAILABLE-FOR-SALE INVESTMENTS

This account includes the following:

	2012	2011
Regular investments [4.1/]	82,323,764	67,876,081
Sinking funds [4.2/]	32,024,500	26,148,428
Legal liability insurance fund [4.3/]	250,630	235,255
Equity securities [4.4/]	12,000,000	12,000,000
	126,598,894	**106,259,764**

4.1 This consists of special savings and time deposits, treasury bills, notes and bonds.

4.2 Accumulated balance of funds being built up to repay the Corporation's loans upon maturity, a portion of which is being managed by Bangko Sentral ng Pilipinas (BSP).

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

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

5. LOANS AND RECEIVABLES

The following receivables are classified into this account as follows:

	2012	2011
Loans [5.1/]	14,347,172	26,527,555
Receivables - closed banks [5.2/]	16,716,477	11,881,462
Interest receivables [5.3/]	1,143,562	1,136,452
Due from National Government [5.4/]	4,676,504	1,885,529
Other receivables [5.5/]	26,364	1,776
	36,910,079	**41,432,774**

5.1 Loans

This represents financial assistance in the form of i) interest bearing loans to four rural banks, three commercial banks and one thrift bank, amounting to P12.036 billion, ii) loans acquired from financial assistance amounting to P2.302 billion (net of allowance) and iii) loans acquired from closed banks in payment for subrogated deposits and advances for receivership and liquidation expenses amounting to P9.56 million.

5.2 Receivables - closed banks include the following:

	2012	2011
Subrogated claims receivable [a/]	57,604,949	52,779,245
Subrogated claims receivable - assigned [a.1/]	(4,676,504)	(1,889,291)
Allowance for doubtful accounts	(44,791,818)	(40,396,173)
	8,136,627	10,493,781
Accounts receivable - receivership and liquidation [b/]	1,570,333	1,380,216
Allowance for doubtful accounts	(20,327)	(17,129)
	1,550,006	1,363,087
Loans receivables - closed banks [c/]	9,171,396	164,496
Allowance for doubtful accounts	(2,141,552)	(139,902)
	7,029,844	24,594
	16,716,477	11,881,462

a. Subrogated claims receivable (SCR)

This is the amount of insured deposit claims paid by PDIC to depositors of closed banks plus balance of the verified/ validated claims accrued (Note 10) in accordance with PAS 37. The claims for these were filed by PDIC against the closed banks for recovery against the remaining assets of these banks upon liquidation.

a.1 The subrogated claims receivable - assigned account totaling P4.677 billion represents insured deposits paid in excess of the first P250 thousand for each depositor which is for the account of the National Government in accordance with Section 4 of Republic Act 9576.

b. Accounts receivable – Receivership and Liquidation (ARRL)

These are the expenses advanced by the Corporation in carrying out its mandate as receiver and liquidator of closed banks.

c. Loans receivables – closed banks (LRCB)

This represents financial assistance by way of interest bearing loans and liquidity assistance to banks that subsequently closed.

5.2.1 Allowance for doubtful accounts

Reconciliation of the allowance for doubtful accounts follows:

	2012			2011 (as restated)		
	SCR	**ARRL**	**LRCB**	**SCR**	**ARRL**	**LRCB**
Balance at beginning of year	40,396,173	17,129	139,902	31,616,576	15,881	139,902
Provisions during the year	4,395,645	3,198	2,001,650	8,779,597	1,229	-
Adjustments	-	-	-	-	19	-
Balance at end of year	**44,791,818**	**20,327**	**2,141,552**	**40,396,173**	**17,129**	**139,902**

5.3 Interest receivables

This represents interest receivables from investments amounting to P1.098 billion in 2012 and P1.002 billion in 2011 and from loans granted to assisted banks of P45.368 million in 2012 and P134.758 million in 2011.

5.4 Due from National Government

This represents the share of the National Government on insured deposits paid in excess of P250 thousand (refer to 5.2.a.1).

5.5 Other receivables

This represents all other receivables including assessment deficiencies of member banks and those subsequently closed.

6. PROPERTY AND EQUIPMENT

This account includes the following:

Particulars	Land, Building and Construction -in Progress[6.1/]	Furniture, Fixtures, Equipment and Books	Transportation Equipment	Leasehold Improvements	Total
Cost					
At 1 January 2012	179,057	157,743	23,861	60,063	420,724
Additions	-	15,856	-		15,856
Disposals/adjustments	-	(16,879)	(1,407)	-	(18,286)
At 31 December 2012	179,057	156,720	22,454	60,063	418,294
Accumulated Depreciation					
At 1 January 2012	92,690	98,968	11,720	58,397	261,775
Depreciation	3,472	12,176	1,391	769	17,808
Disposals/ adjustments	-	(15,276)		-	(15,276)
At 31 December 2012	96,162	95,868	13,111	59,166	264,307
Net book value					
At 31 December 2012	**82,895**	**60,852**	**9,343**	**897**	**153,987**
At 31 December 2011	**86,367**	**58,775**	**12,141**	**1,666**	**158,949**

6.1 This account includes property located at Chino Roces Avenue, Makati City, with appraised values of P325 million for the land and P103.080 million for the building. PDIC has an existing project for the construction of a building annex at the Chino Roces property and the renovation of the eight-storey building. Cumulative costs incurred and booked under the construction in progress account amounted to P7.53 million.

7. INTANGIBLE ASSETS

This account includes cost of computer software. Any software that is an integral part of the hardware is classified as property and equipment account.

Particulars	Cost	Accumulated Amortization	Net Book Value
At 1 January 2012	82,088	24,969	57,119
Additions	23,756		23,756
Amortization		11,189	(11,189)
Adjustments	(7,724)		(7,724)
At 31 December 2012	**98,120**	**36,158**	**61,962**
At 31 December 2011	**82,088**	**24,969**	**57,119**

8. OTHER ASSETS

This account includes the following:

	2012	2011 (as restated)
Assets acquired [8.1/]	2,836,176	2,962,593
Allowance for probable losses	(2,245,980)	(2,222,152)
	590,196	740,441
Acquired assets payment of receivables from closed banks	256,965	221,587
Allowance for probable losses	(11,047)	(11,047)
	245,918	210,540
Creditable tax withheld	509,718	296,043
Provident fund - car fund	64,392	49,801
Guarantee deposits [8.3/]	17,380	15,731
Inventories		
Office supplies and materials	4,138	2,763
Decals and standees	350	477
Prepayments [8.4/]	2,120	2,504
Advances to officers and employees [8.5/]	881	3,079
Petty cash fund [8.6/]	866	1,101
Others-resigned employees	488	644
	1,436,447	**1,323,124**

8.1 Includes assets acquired from financially assisted banks being held for sale.

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

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

8.4 Includes various prepaid expenses i.e. fidelity bond premiums, insurance and subscriptions.

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

8.6 The account includes cash for petty operating expenses and emergency drawings for specific purposes.

9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account includes the following:

	2012	2011 (as restated)
Interest payable [9.1/]	13,489,345	12,203,493
Inter-agency payables [9.2/]	1,539,516	2,071,401
Due to officers and employees [9.3/]	198,194	150,680
Accounts payables [9.4/]	106,132	101,460
Other payables [9.5/]	30,698	28,990
	15,363,885	**14,556,024**

9.1 The balance of this account represents accrued interest on loans from the BSP which will be paid in accordance with the terms of the loan agreement (e.g. bullet, annual, etc.).

9.2 Inter-agency payables consist of payables to the following:

	2012	2011 (as restated)
Bureau of Internal Revenue	854,391	1,545,137
National Government/Bureau of Treasury [a/]	655,471	504,709
PDIC Provident Fund	19,682	12,117
Government Service Insurance System	8,598	8,088
PhilHealth	1,071	1,056
Pag-IBIG	303	294
	1,539,516	**2,071,401**

a. The balance of this account pertains to the dividends payable to the National Government representing 50 per cent of Profit before Tax Subsidy of P1.31 billion in 2012 and P1.009 in 2011 (before restatement) in accordance with the dividend law.

9.3 This is composed of accrued leaves of employees payable upon monetization, retirement or resignation amounting to P158.845 million, and unpaid salaries and benefits amounting to P39.349 million such as loyalty pay, overtime, performance incentive, rice benefit and tax refunds to be paid in the succeeding year.

9.4 This refers to the amount due to various suppliers/creditors.

9.5 Other payables include bidders' performance bond payable, payables to resigned employees and overpayment by banks, which are creditable to subsequent assessment period.

10. INSURED DEPOSIT CLAIMS PAYABLE

This account represents balance of unpaid but validated insured deposit claims totaling P2.481 billion for 2012 and P3.962 billion for 2011.

11. LOANS PAYABLE

This account represents outstanding loans payable to the BSP which were utilized, as follows:

	2012	2011 (as restated)
Financial assistance granted to various banks		
Commercial Banks	58,330,004	59,832,912
Thrift Banks	3,950,647	3,950,865
Rural Banks	2,945,233	2,929,371
	65,225,884	**66,713,148**

12. MATURITY PROFILE OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to when they are expected to be recovered or settled.

Particulars	2012		2011 (as restated)	
	Less than 12 months	Over 12 months	Less than 12 months	Over 12 months
ASSETS				
Cash and cash equivalent	2,146,154	-	11,672,818	-
Investments	23,591,165	103,007,729	14,863,618	91,396,146
Loans and receivables	1,217,728	35,692,351	5,558,228	35,874,546
Property and equipment	-	153,987	-	158,949
Intangible assets	-	61,962	-	57,119
Other assets	600,333	836,114	372,142	950,982
Total Assets	**27,555,380**	**139,752,143**	**32,466,806**	**128,437,742**
LIABILITIES				
Accounts payable and other liabilities	2,245,158	13,118,727	2,743,576	11,812,448
Insured deposit claims Payable	2,481,058	-	3,961,810	-
Loans payable	1,654,011	63,571,873	3,109,116	63,604,032
Total Liabilities	**6,380,227**	**76,690,600**	**9,814,502**	**75,416,480**
NET	**21,175,153**	**63,061,543**	**22,652,304**	**53,021,262**

13. ASSESSMENT INCOME

This consists of assessment premiums received as follows:

	2012	2011
First semester	5,235,157	4,969,093
Second semester	5,244,853	5,092,831
	10,480,010	**10,061,924**

14. INCOME FROM INVESTMENTS

This consists of interest income from investments (net of tax) as follows:

	2012	2011
Cash equivalents	201,919	209,842
Available for sale	5,052,739	5,740,263
	5,254,658	**5,950,105**

15. INCOME FROM FINANCIAL ASSISTANCE

The balance of this account refers to interest income totaling P428.552 million in 2012 and P480.412 million (as restated) in 2011, derived from financial assistance to banks by way of interest bearing direct loans and acquisition of assets.

16. INCOME FROM TAX SUBSIDY

A total of P3.210 billion in 2012 and P1.713 billion in 2011 tax obligations of the Corporation charged to the Tax Expenditure Fund (TEF) in accordance with Section 17 (c) of PDIC Charter, as amended by Republic Act 9576, were booked to this account.

17. OTHER INCOME

Balance of this account consists of the following:

	2012	2011 (as restated)
Gain on exchange/sale of investments	604,470	1,073,288
Service income	216,739	162,120
Dividend income	13,554	48,509
Gain on sale of disposed assets	9,479	27,482
Miscellaneous income	14,316	12,625
Interest on late payment of assessment	82	6,680
Gain/(loss) on foreign currency revaluation	(154)	28
	858,486	**1,330,732**

18. OPERATING EXPENSES

This account consists of the following:

	2012	2011 (as restated)
Personal services	1,057,584	952,506
Maintenance and other operating expenses	398,603	441,699
	1,456,187	**1,394,205**

The Gender and Development (GAD) expenses amounted to P258,998 in 2012. These were incurred for GAD learning sessions/activities during the Women's Month celebration, GAD Orientation/Capacity Building and participation in GAD seminars for the Department of Finance GAD Focal Points System.

19. TAXES

In compliance with the requirements set forth by the Bureau of Internal Revenue (BIR) in Revenue Regulation No. 15-2010, hereunder is the information on the 2012 taxes, duties and license fees paid or accrued in 2012:

	2012	2011 (as restated)
Value added tax (VAT) [19.1/]	1,339,165	1,295,282
Income tax	991,854	1,557,317
Documentary stamp tax	-	7,500
Withholding taxes		
On compensation and benefits	186,511	158,878
Creditable withholding taxes	28,238	32,310
Final withholding taxes	273	274
Other taxes and licenses		
Community tax certificate	10	11
BIR annual registration fee	1	1
	2,546,052	**3,051,573**

19.1 The Corporation received a preliminary assessment notice (PAN) dated December 29, 2010 and formal assessment notice (FAN) dated October 19, 2011 from the BIR, covering taxable year 2009 amounting to P815.039 million. The assessment pertains to interests and surcharges on late receipt by the BIR of payment documents (Special Allotment Release Order from the Department of Budget and Management) concerning basic income tax and VAT charged to the tax expenditure fund. The Corporation in letters dated January 14, 2011 and October 19, 2011 protested and requested abatement of interest and surcharges on the said PAN and FAN, respectively. Per BIR letter dated November 25, 2011, the Corporation was informed that the application for abatement, approved by the Regional Evaluation Board, was forwarded to the Technical Working Committee of the Office of the Deputy Commissioner for further evaluation and final approval.

20. ADDITIONS TO RESERVES

In accordance with Note 2.4.h and the Revised Guidelines for Insurance Reserves Targeting and the Revised Methodology in Establishing the Insurance Reserves Target approved under Board Resolution No. 2008-06-089 dated June 27, 2008, an additional P4.800 billion reserves for insurance losses were charged to income in 2012 to ensure adequacy of reserves for insurance calls.

21. INSURANCE AND FINANCIAL ASSISTANCE LOSSES

Insurance and financial assistance losses consist of the following:

	2012	2011
Deposit claims pay-out expenses [21.1/]	4,395,645	8,779,597
Rehabilitation cost [21.2/]	2,001,369	-
Receivership and liquidation expenses [21.3/]	3,198	1,230
	6,400,212	**8,780,827**

21.1 Deposit claims pay-out expenses – estimated losses on deposit insurance claims paid, based on the respective estimated realizable value of assets and preference of credits in the liquidation of closed banks.

21.2 Rehabilitation cost – estimated losses on financial assistance to banks.

21.3 Receivership and Liquidation expenses – estimated losses on receivables from closed banks for necessary expenses advanced by the Corporation as receiver and liquidator.

22. INTEREST ON BORROWINGS

This account consists of interest expense totaling P2.062 billion in 2012 and P2.230 billion (as restated) in 2011 primarily on outstanding loans to BSP used to fund financial assistance and payout operations of various banks.

23. LEASES

The Corporation leased for P108.418 million in 2012 the premises of the Social Security System at Ayala Avenue, Makati City, which served as its principal office. The lease is renewable under certain terms and conditions.

24. CONTINGENT LIABILITIES AND OTHER MATTERS

24.1 The following are the pending cases which may result in contingent liabilities should adverse judgments be rendered:

a. Claims for deposit insurance

Fourteen cases were filed against the Corporation for payment of deposit insurance in the estimated amount of P51.526 million. In addition, the Corporation initiated an action for interpleader against claimants/depositors involving the amount of P250 thousand.

b. Cases subject matter of which is incapable of pecuniary estimation

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

24.2 Estimated insured deposits

As at December 31, 2012, total insured deposits within the P500 thousand insurance coverage amounted to P1.595 trillion representing 41,787 million accounts. This is equivalent to 27.75 per cent of the total deposits of P5.746 trillion in the banking industry.

24.3 Banks under receivership and liquidation

Twenty-four banks were closed in 2012, bringing a total of 601 closed banks as at December 31, 2012 under receivership and liquidation of the Corporation. The closed banks' total estimated realizable value of assets and liabilities amounted to P36.903 billion and P139.283 billion, respectively.

25. RELATED PARTY TRANSACTION

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

26. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

The Corporation is exposed to a variety of financial risks such as market risk (including interest rate risk and currency risk), credit risk and liquidity risk. The financial risks are identified, measured and monitored to assess adequately the market circumstances to avoid adverse financial consequences to the Corporation.

26.1 Market risk

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

26.2 Credit risk

In view of its mandate to safeguard the interest of the depositing public and contribute in the promotion of stability in the economy, credit risk to the Corporation is the risk that the loans granted to operating banks needing financial assistance and advances in its receivership and liquidation activities will not be paid or collected when due, and when investing activities are not prudently exercised to consider risk/reward relationships of market factors and established parameters.

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

a. Maximum exposures to credit risk taking account of collateral

The table below provides the analysis of the maximum exposure to credit risk of the Corporation's loans and available-for-sale investments – equity securities, before and after taking into account collateral held or other credit:

	Gross Maximum Exposure	Fair value of collateral or credit enhancement	Net Exposure
	2012		
Loans and receivables	31,120,072	12,035,483	19,084,589
Available-for-sale			
investments - equity securities	12,000,000	-	12,000,000
Total credit risk exposure	**43,120,072**	**12,035,483**	**31,084,589**

	Gross Maximum Exposure	Fair value of collateral or credit enhancement	Net Exposure
	2011		
Loans and receivables	38,545,552	26,789,163	11,756,389
Available-for-sale			
investments - equity securities	12,000,000	-	12,000,000
Total credit risk exposure	**50,545,552**	**26,789,163**	**23,756,389**

26.3 Liquidity risk

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

a. Analysis of financial liabilities by maturity

The table below summarizes the maturity profile of the Corporation's financial liabilities as at December 31, 2012.

	On demand	Up to 3 months	>3 up to 12 months	>1 up to 5 Years
As at December 31, 2012				
Accounts payable and other liabilities	-	1,874,541	370,618	-
Insured deposit claims payable	2,481,058	-	-	-
Loans payable	1,606,208	-	47,803	2,467,397
	4,087,266	**1,874,541**	**418,421**	**2,467,397**
As at December 31, 2011, as restated				
Accounts payable and other liabilities	-	2,354,401	389,175	-
Insured deposit claims payable	3,961,810	-	-	-
Loans payable	1,609,116	-	1,500,000	50,753
	5,570,926	**2,354,401**	**1,889,175**	**50,753**

	>5 up to 10 years	>10 up to 20 years	Over 20 years	Total
As at December 31, 2012				
Accounts payable and other liabilities	12,886,002	133,892	98,833	15,363,886
Insured deposit claims payable	-	-	-	2,481,058
Loans payable	59,618,275	1,274,000	212,200	65,225,883
	72,504,277	**1,407,892**	**311,033**	**83,070,827**
As at December 31, 2011, As restated				
Accounts payable and other liabilities	11,143,411	580,843	88,194	14,556,024
Insured deposit claims payable	-	-	-	3,961,810
Loans payable	50,289,079	13,052,000	212,200	66,713,148
	61,432,490	**13,632,843**	**300,394**	**85,230,982**

27. CASH FLOW INFORMATION

Non-cash transactions include tax liabilities which were charged against the TEF amounting to P3.210 billion for 2012 and P1.713 for 2011 (Note 16).

28. RESTATEMENT OF 2011 FINANCIAL STATEMENTS

In 2012, the Bureau of Internal Revenue has assessed the Corporation the amount of P1.045 billion in income tax liability for 2011 income. The assessment resulted from the disallowance as a deduction of certain expenses which the Corporation has claimed as deduction. The assessed tax liability was paid through/charged to the TEF in 2012. The expense which was applicable against 2011 income was adjusted against retained earnings, with corresponding reduction in the amount of reserves for insurance losses booked for the year.

In 2011, the Corporation entered into a three year contract with the Social Security System (SSS) for lease of office building and several parking lots with 10 per cent escalation rate every year. Only actual payment on lease was recognized as expense in the previous year because of possibility of vacating the present office at the SSS building prior to the end of contract. However, the Corporation was not able to find a new office. Thus, the Corporation has to apply PAS 17 which requires that operating lease be recognized as expense on a straight-line basis over the term of the lease. Based on a straight-line amortization schedule for three years, additional expenses should be accrued. The P5.834 million adjustment was charged against income of the prior period in the current financial year.

BOARD OF DIRECTORS

From Left:
Finance Secretary Cesar V. Purisima *(Chairman);* **PDIC President Valentin A. Araneta** *(Vice Chairman);*
BSP Governor Amando M. Tetangco, Jr. *(Director)*

From Left:
Hon. Rogelio W. Manalo *(Director);* **Hon. Protacio T. Tacandong** *(Director);*
National Treasurer Rosalia V. De Leon *(Alternate Director);* **BSP Deputy Governor Nestor A. Espenilla, Jr.** *(Alternate Director)*

BOARD COMMITTEES
Board Audit Committee

From Left:
Director Protacio T. Tacandong (*Chairman*); **BSP Deputy Governor Nestor A. Espenilla, Jr.** (*Member*);
Director Rogelio W. Manalo (*Member*);

Board Risk Management Committee

From Left:
Director Rogelio W. Manalo (*Chairman*); **National Treasurer Rosalia V. De Leon** (*Member*);
Director Protacio T. Tacandong (*Member*)

BOARD COMMITTEES
Board Governance Committee

From Left:
Director Protacio T. Tacandong (*Chairman*); **Director Rogelio W. Manalo** (*Member*)

From Left:
BSP Deputy Governor Nestor A. Espenilla, Jr. (*Member*); **National Treasurer Rosalia V. De Leon** (*Member*)

EXECUTIVE COMMITTEE

From Left:
Valentin A. Araneta (*President*); **Imelda S. Singzon** (*Executive Vice President/Examination and Resolution Sector*);
Cristina Q. Orbeta (*Executive Vice President/Receivership and Liquidation Sector*)

From Left:
Sandra A. Diaz (*Senior Vice President/Deposit Insurance Sector*); **Ma. Ana Carmela L. Villegas** (*Senior Vice President/Management Services Sector*); **Atty. Romeo M. Mendoza, Jr.** (*General Counsel/Legal Affairs Sector*);
Alma Teresa R. Malanog (*Senior Vice President/Corporate Services Sector*)

MANAGEMENT COMMITTEE

Office of the President

From Left:
Valentin A. Araneta (*President*); **Teodoro D. Banaag** (*Vice President/Head Executive Assistant*)
Jose G. Villaret, Jr. (*Vice President/Corporate Affairs Group*)

From Left:
Atty. Basilio O. Visaya, Jr. (*Vice President/Corporate Governance Office*); **Marcelo E. Ayes** (*Vice President/Risk Management Office*);
Fely D. Reyes (*Vice President/Internal Audit Group*); **Atty. Ephyro Luis B. Amatong** *(Vice President/Office of the Board Chairman)*

MANAGEMENT COMMITTEE
Examination and Resolution Sector

From Left:
Imelda S. Singzon (*Executive Vice President*); **Josefina J. Velilla** (*Vice President/Resolution Group*); **Eden Tita J. Dizon** (*Vice President/Examination Group I)*; **Shirley G. Felix** *(Vice President/Examination Group II)*

Receivership and Liquidation Sector

From Left:
Cristina Q. Orbeta (*Executive Vice President*); **Atty. Nancy L. Sevilla-Samson** (*Vice President/Receivership and Bank Management Group*); **Teresita D. Gonzales** (*Vice President/Loans Management Group*); **Rosario C. Arnaldo** *(Vice President/Asset Management and Disposal Group*); **Teresa H. Garcia** *(Officer-In-Charge/Receivership and Liquidation Support Group)*

MANAGEMENT COMMITTEE
Deposit Insurance Sector

From Left:
Sandra A. Diaz *(Senior Vice President)*; **Elizabeth E. Oller** *(Vice President/Claims Group)*; **Irene DL. Arroyo** *(Vice President/Treasury Group)*; **Cynthia B. Marcelo** *(Vice President/Insurance Group)*

Legal Affairs Sector

From Left:
Atty. Romeo M. Mendoza, Jr. (*General Counsel*); **Atty. Ma. Antonette I. Brillantes-Bolivar** (*Vice President/Litigation and Investigation Group*); **Atty. Fernando S. Abadilla** (*Officer-In-Charge/Legal Services Group*)

MANAGEMENT COMMITTEE
Management Services Sector

From Left:
Ma. Ana Carmela L. Villegas (*Senior Vice President*); **Ma. Ester D. Hanopol** (*Vice President/Corporate Planning Group*); **Geronimo V. Ambe** *(Vice President/Comptrollership Group);* **Maria Belinda C. San Jose** *(Vice President/Information Technology Group)*

Corporate Services Sector

From Left:
Alma Teresa R. Malanog (*Senior Vice President*); **Nina Noreen A. Jacinto** (*Vice President/Administrative Services Group*); **Ma. Teresita V. Leido** (*Vice President/Human Resource Group*)

LIST OF OFFICERS
As of January 2, 2013

OFFICE OF THE PRESIDENT

VALENTIN A. ARANETA
President

TEODORO D. BANAAG*
Vice President/Head Executive Assistant

JAROMME ZEUS KRISTOFFER C. CASTILLO I
Assistant Department Manager II

MARIA KARLA L. ESPINOSA
Executive Assistant V

ABRAHAM LINCOLN Q. REMOLONA
Executive Assistant IV

CORNELIA D. RODRIGO
Executive Assistant IV

OFFICE OF THE BOARD CHAIRMAN

EPHYRO LUIS B. AMATONG
Vice President

OFFICE OF THE BOARD VICE CHAIRMAN

ERWIN D. STA. ANA
Executive Assistant V

OFFICE OF THE MEMBERS OF THE BOARD FROM THE PRIVATE SECTOR

JUDE THADDEUS T. LANUZA
Executive Assistant IV

PILAR Y. LEDESMA
Executive Assistant IV

RISK MANAGEMENT OFFICE

MARCELO E. AYES
Vice President

MICHELLE LD E. ESTOR
Corporate Executive Officer II

CORPORATE GOVERNANCE OFFICE

BASILIO O. VISAYA, JR.
Vice President

INTERNAL AUDIT GROUP

FELY D. REYES
Vice President

Internal Audit Department I

VIVENCIO M. MANIAGO
Department Manager III

Internal Audit Department II

MARILOU G. MIRANDA
Officer-in-Charge/Corporate Executive Officer II

Information Technology Audit Department

NANCY M. MENDOZA
Department Manager III

LUDIVINA P. CARLOS
Corporate Executive Officer II

OFFICE OF THE CORPORATE SECRETARY

MARY ROSALIND A. ALARCA
Department Manager III

GEODERICK E. CARBONELL
Assistant Department Manager II

CORPORATE AFFAIRS GROUP

JOSE G. VILLARET, JR.
Vice President

Corporate Communications Department

AURAMAR D. CALBARIO
Department Manager III

JOSEPHINE G. MOPERA
Assistant Department Manager II

Institutional Relations Department

NAPOLEON P. MICU
Officer-in-Charge/Corporate Executive Officer II

ISABEL P. GAVIOLA
Corporate Executive Officer II

EXAMINATION AND RESOLUTION SECTOR

IMELDA S. SINGZON
Executive Vice President

EXAMINATION GROUP I

EDEN TITA J. DIZON
Vice President

Examination Department I

JOSEFINA F. SONGALIA
Officer-in-Charge/Assistant Department Manager II

NIÑO RAY L. VILLALUNA
Corporate Executive Officer II

Examination Department II

MARLOWE F. MIKIN
Department Manager III

ELIZABETH R. PADOLINA
Assistant Department Manager II

RUBEN C. CORDERO
Corporate Executive Officer II

EXAMINATION GROUP II

SHIRLEY G. FELIX
Vice President

Examination Department III

DENNIS Y. ABIERA
Officer-in-Charge/Assistant Department Manager II

BEATRIZ R. ANGELES
Corporate Executive Officer II

Examination Department IV

ANGEL B. OBRERO
Department Manager III

RESOLUTION GROUP

JOSEFINA J. VELILLA
Vice President

Resolution Department I

MADELEINE C. RIBAY
Officer-in-Charge/Corporate Executive Officer II

MAILEEN M. MALOLES
Corporate Executive Officer II

Resolution Department II

FLORDELIS M. DATU
Department Manager III

RHEA S. AUSTRIA
Corporate Executive Officer II

FREDY S. GALOSMO
Corporate Executive Officer II

EXAMINATION AND RESOLUTION SUPPORT GROUP

Bank Statistics Department

CHRISTOPHER G. SUGUITAN
Department Manager III

Examination and Resolution Support Department

EMMA B. OCHOSA
Department Manager III

ROSALYN M. GO
Corporate Executive Officer II

RECEIVERSHIP AND LIQUIDATION SECTOR

CRISTINA Q. ORBETA
Executive Vice President

RECEIVERSHIP AND BANK MANAGEMENT GROUP

NANCY L. SEVILLA-SAMSON
Vice President

Receivership and Bank Management Department I

ANA ROSA E. VIRAY
Officer-in-Charge/Assistant Department Manager II

APOLONIO M. MATABANG
Corporate Executive Officer II

Receivership and Bank Management Department II

RONALD C. ANGELES
Department Manager III

FERNANDO S. BOÑULA
Assistant Department Manager II

Receivership and Bank Management Department III

IMELDA R. SALGADO
Department Manager III

IMELDA A. BARRO
Corporate Executive Officer II

LEONOR S. SAMONTE
Corporate Executive Officer II

Receivership and Bank Management Department IV

TEODORO JOSE D. HIRANG
Assistant Vice President

ELMER JUAN C. HABER
Corporate Executive Officer II

FLORANTE D. LUCOS
Corporate Executive Officer II

Bank Termination Department

ROSALINA G. MORALES
Officer-in-Charge/Corporate Executive Officer II

SUSANA R. CAROLINO
Corporate Executive Officer II

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* *Assumed on August 1, 2013*

LIST OF OFFICERS
As of January 2, 2013

ASSET MANAGEMENT AND DISPOSAL GROUP

ROSARIO C. ARNALDO
Vice President

Asset Management and Disposal Department I

JOSETTE SONIA H. MARCILLA
Department Manager III

ARIEL M. ALCOBA
Corporate Executive Officer II

MARIVIC C. PUZON
Corporate Executive Officer II

Asset Management and Disposal Department II

FERDINAND M. BELUAN
Department Manager III

CELIA D. JOVEN
Corporate Executive Officer II

LOLITA M. LIM
Corporate Executive Officer II

Asset Management and Disposal Department III

POLO L. PANTALEON, JR.
Department Manager III

MA. JOZZENNE CLAIRE M. BELTRAN-CARANDANG
Corporate Executive Officer II

ELISA T. SAURA
Corporate Executive Officer II

LOANS MANAGEMENT GROUP

TERESITA D. GONZALES
Vice President

Loans Management Department I

MA. BERNADETTE R. SANCHEZ
Department Manager III

DEMOCRITO L. BITANG
Corporate Executive Officer II

MARY ANN C. CRISOSTOMO
Corporate Executive Officer II

Loans Management Department II

JOSEFINA R. FAJARDO
Officer-in-Charge/Assistant Department Manager II

JOSEFINA S. SAN PEDRO
Corporate Executive Officer II

Loans Management Department III

BENEFICO M. MAGDAY
Assistant Vice President

ESPERANZA L. CHINGCUANGCO
Assistant Department Manager II

MA. NENITA N. GAYLA
Corporate Executive Officer II

RECEIVERSHIP AND LIQUIDATION SUPPORT GROUP

TERESA H. GARCIA
Officer-In-Charge/Assistant Vice President

Asset Administrative Services Department

DOROTHY C. EAMILAO
Officer-in-Charge/Assistant Department Manager II

Records Control and Logistics Department

EDITHA D. TUMANG
Officer-in-Charge/Assistant Department Manager II

Financial Control and MIS Department

ROSSANA V. CASTALLA
Department Manager III

THELMA B. ARIAS
Corporate Executive Officer II

JOSEFINA B. PEREZ
Corporate Executive Officer II

Property Appraisal Department

RECAREDO LEIGHTON A. TAMAYO
Department Manager III

MINVILUZ O. RUBRICO
Assistant Department Manager II

DEPOSIT INSURANCE SECTOR

SANDRA A. DIAZ
Senior Vice President

CLAIMS GROUP

ELIZABETH E. OLLER
Vice President

NELSON G. PORTACIO
Corporate Executive Officer II

Presettlement Examination Department

LUISITO M. CARREON
Assistant Vice President

EVANGELINE R. PANTALUNAN
Assistant Department Manager II

NERILYN O. ABOGADO
Corporate Executive Officer II

MONINA J. CORNISTA
Corporate Executive Officer II

NAPOLEON D. JOSE
Corporate Executive Officer II

WILFREDO B. RAFALES
Corporate Executive Officer II

Claims Processing Department

ELAINE B. DETICIO
Assistant Vice President

MILA O. TAMAYO
Corporate Executive Officer II

TREASURY GROUP

IRENE DL. ARROYO
Vice President

Claims Settlement Department

MERLIE M. CAÑAVERAL
Department Manager III

ROSENDA L. BARRIL
Assistant Department Manager II

ELOIDA B. INDORTE
Corporate Executive Officer II

Treasury Department

PETER NOEL P. HERRERA
Assistant Vice President

ROSITA R. ARELLANO
Assistant Department Manager II

ESTELITA R. DATINGALING
Assistant Department Manager II

INSURANCE GROUP

CYNTHIA B. MARCELO
Vice President

Insurance Department

DAISY ANN T. ALAGOS
Corporate Executive Officer II

TESSIE P. VELASQUEZ
Corporate Executive Officer II

Insurance Support Department

MA. THERESA B. SALCOR
Department Manager III

LYN D. BAGNES
Corporate Executive Officer II

EMERSON M. LOMIO
Corporate Executive Officer II

SALUD E. MARGAJAY
Corporate Executive Officer II

NOELA C. MIÑOZA
Corporate Executive Officer II

Public Assistance Department

JOAN S. DE LEON
Officer-in-Charge/Corporate Executive Officer II

ANTONIO ERROL B. YBAÑEZ, JR.
Corporate Executive Officer I

LEGAL AFFAIRS SECTOR

ROMEO M. MENDOZA, JR.
General Counsel

MA. SADDY MILA ENA B. RILLORTA
Assistant Department Manager II

LITIGATION AND INVESTIGATION GROUP

MA. ANTONETTE I. BRILLANTES-BOLIVAR
Vice President

CARLO CALIXTO J. DUGAYO
Legal Officer V

Litigation Department

GILROY V. BILLONES
Department Manager III

ROMEL M. BARRERA
Assistant Department Manager II

MILDRED J. MARQUEZ
Assistant Department Manager II

RAYMOND C. DE LEMOS
Legal Officer V

ARLENE R. HERNANDO
Legal Officer V

Investigation Department

MANUEL C. TAN
Assistant Vice President

ARISTON P. AGANON
Legal Officer V

ROMEL A. APARICIO
Legal Officer V

ALEXANDER N. DOJILLO
Legal Officer V

External Counsel Department

MYLENE F. PASAMBA
Officer-in-Charge/Assistant Department Manager II

EVANGELINE Q. DE LEON
Legal Officer V

VERONICA T. IGOT
Legal Officer V

MARIA DELIA T. VERGARA
Legal Officer V

LEGAL SERVICES GROUP

FERNANDO S. ABADILLA
Officer-In-Charge

JAMAEL A. JACOB
Legal Officer V

Legal Services Department I

FERNANDO S. ABADILLA
Assistant Vice President

AILEEN LOU C. ACOSTA
Assistant Department Manager II

LUISITO Z. MENDOZA
Assistant Department Manager II

JOSE MARI C. GANA
Legal Officer V

MA. FRECELYN M. HAW
Legal Officer V

Legal Services Department II

DORAM T. DUMALAGAN
Department Manager III

MA. POLA S. LUANZON
Assistant Department Manager II

JOSELITO S. MENDOZA
Assistant Department Manager II

CLARENCE E. DATO
Legal Officer V

Legal Services Department III

NILO ALDRIN M. LUCINARIO
Assistant Vice President

DELILAH GRACE V. MAGTOLIS
Assistant Department Manager II

JOHN HENRY M. PASCUAL
Assistant Department Manager II

JOSEFINA J. SAMBOLAWAN
Legal Officer V

MANAGEMENT SERVICES SECTOR

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Senior Vice President

CORPORATE PLANNING GROUP

MA. ESTER D. HANOPOL
Vice President

Planning Department

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Officer-in-Charge/Assistant Department Manager II

JOSEFINA MAY G. TATU
Corporate Executive Officer II

Policy and Systems Department

CYRUS T. GALANG
Department Manager III

ANNA LIESE L. ROQUE
Corporate Executive Officer I

COMPTROLLERSHIP GROUP

GERONIMO V. AMBE
Vice President

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QURALENE P. PATALINGHUG
Department Manager III

MA. LENITA I. FLORIZA
Corporate Executive Officer II

Budget and Disbursements Department

JOCELYN J. NEPOMUCENO
Department Manager III

JANET B. AGUILA
Corporate Executive Officer II

EMMA F. SALINAS
Corporate Executive Officer II

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MARIA BELINDA C. SAN JOSE
Vice President

Systems Development Department

MARIA BELINDA C. SAN JOSE
Officer-In-Charge

RAUL FILOMENO C. CABOTAGE
Assistant Department Manager II

JOSE ALEX P. MERCADO
Assistant Department Manager II

IBELIO B. RETES
Assistant Department Manager II

HERMIL P. DE VERA
Corporate Executive Officer II

XANDREX FIDELIS A. LIQUIGAN
Corporate Executive Officer II

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Department Manager III

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Assistant Department Manager II

JOSE P. MIANO
Assistant Department Manager II

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JOSETTE O. RESURRECCION
Assistant Department Manager II

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Department Manager III

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Corporate Executive Officer II

MA. LOURDES R. RELUCIO
Corporate Executive Officer II

MA. TERESA C. VESTAL
Corporate Executive Officer II

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ASUNCION S. CALAPAN
Assistant Department Manager II

Training Institute

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Department Manager III

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Assistant Department Manager II

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Corporate Executive Officer II

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Corporate Executive Officer II

RICARDO D. ANTONIO
Corporate Executive Officer I

ANALINDA C. LAO
Corporate Executive Officer I

TRINIDAD F. MAGSAKAY
Corporate Executive Officer I

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JESUS MA. JOSE L. BORJA
Department Manager III

ERNESTO R. TORRES, JR.
Assistant Department Manager II

HERNANDO L. CATIGBE
Corporate Executive Officer I

PDIC ROLL

AS OF DECEMBER 31, 2012

A
ABADILLA, FERNANDO S.
ABAN, ALEXIS A.
ABELEDA, SONIA A.
ABENIS, MARIA SALOME C.
ABIERA, DENNIS Y.
ABOGADO, NERILYN O.
ABRIAM, CHERRYL S.
ACERET, EROLYN B.
ACOSTA, AILEEN LOU C.
ACOSTA, ALEJANDRO JR. S.
ACOSTA, BETTINA N.
ACUÑA, MYRAFLOR C.
ADUANA, GERHARDUS C.
AGABAO, LENIN D.
AGANON, ARISTON P.
AGNES, MA. CARIDAD R.
AGUILA, JANET B.
AGUINALDO, FERDINAND M.
AGUSTIN, JENELYN P.
ALAGOS, DAISY ANN T.
ALAGOS, VALENTIN JR. S.
ALARCA, MARY ROSALIND A.
ALCOBA, ARIEL M.
ALEJANDRINO, LILYBETH H.
ALONZO, REYNOLD P.
AMATONG, EPHYRO LUIS B.
AMBE, GERONIMO V.
AMIGLEO, NOREEN R.
ANASTACIO, GLENDALE C.
ANDES, JOAN P.
ANDRADA, JOVY R.
ANG, ARIES M.
ANGELES, BEATRIZ R.
ANGELES, RONALD C.
ANI, JACQUELINE I.
ANTONIO, FLORANTE JR. F.
ANTONIO, MARIA GRACIA N.
ANTONIO, NIÑA M.
ANTONIO, RICARDO D.
APARICIO, ROMEL A.
APOLINARIO, CELY E.
AQUINO, ERNESTO C.
ARANETA, VALENTIN A.
ARELLANO, ROSITA R.
ARIAS, THELMA B.
ARIZALA, AURA MARINA R.
ARNALDO, ROSARIO C.
ARRIETA, JOHANNA HAZEL M.
ARRIOLA, ROMEO C.
ARROYO, IRENE DL.
ASCAÑO, RHODA R.
ASUNCION, JONNAH MAE C.
ATENDIDO, JOCELYN A.
ATIBULA, KENNETH T.
AURE, OLIVER A.
AURELIA, EDZEL D.
AUSTRIA, ARLENE C.
AUSTRIA, RHEA S.
AVECILLA, AUGUSTO R.
AYES, MARCELO E.
AYRAN, JUNNIFER P.

B
BACSAL, DIONISIA E.
BADILLO, ROSA MARIA V.
BAGAPORO, MARIA CRISTINA T.
BAGNES, LYN D.
BAGUIO, GODOFREDA P.
BALASABAS, MARILOU M.
BALTAZAR, ERNAN L.
BALTAZAR, MA. PAZ V.
BANDOY, ISRAEL A.
BARRAL, ROSALIE F.
BARRERA, ROMEL M.
BARRIL, ROSENDA L.
BARRO, IMELDA A.
BASILLA, ROSALIE B.
BATAAN, LIZ D.
BATAC, ARACELI F.
BATALLA, ALLAN PAUL G.
BATALLA, MARIA RAFAELA T.
BAUTISTA, GRACE V.
BAYLON, JOSIELYN S.
BELLO, SHERWIN Z.
BELLO, VIRGINIA D.
BELTRAN-CARANDANG, MA. JOZZENNE CLAIRE M.
BELUAN, FERDINAND M.
BENDAÑA, JOSE A.
BENITEZ, FREDERICK B.
BILLONES, GILROY V.
BITANG, DEMOCRITO L.
BLAZA, VICTORIA P.
BOÑULA, FERNANDO S.
BOONE, ANICETA A.
BORJA, JESUS MA. JOSE L.
BORJAL, ROLLY C.
BORLONGAN, EUGENE V.
BRILLANTES-BOLIVAR, MA. ANTONETTE I.
BUGAYONG, DANILO B.
BUISING, MARYMER D.
BULONG, JOSEPH S.
BUNA, LANIE A.
BUNDALIAN, GLENDA G.

C
CABA, PHEDILYN R.
CABOTAGE, RAUL FILOMENO C.
CADIZ, HYACINTH N.
CALAPAN, ASUNCION S.
CALBARIO, AURAMAR D.
CALLEJA, MA. EVANGELINE P.
CALLEJA, THELMA C.
CALUB, MARILOU D.
CALVEZ, VILMA Y.
CANAPI, LAARNI L.
CAÑAVERAL, MERLIE M.
CANELA, ENRICO R.
CANUZA, CECILIA C.
CAPUNO, JAIME C.
CARAIG, MYRNA C.
CARBONELL, GEODERICK E.
CARENG, JUANA L.
CARLOS, LUDIVINA P.
CAROLINO, SUSANA R.
CARREON, AILEEN B.
CARREON, DELIA A.
CARREON, LUISITO M.
CARREON, MARC JUMBOE KING N.
CARVAJAL, JOSEPHINE M.
CASCOLAN, REGIEREX P.
CASEM, JHOANNA PAULINE B.
CASIÑO, RONALD S.
CASTALLA, ROSSANA V.
CASTILLO, JAROMME ZEUS KRISTOFFER I C.
CASTOR, CLEOFE D.
CASTRO, CHARMAINE CHERYL S.
CASTRO, HARRY C.
CASTRO, MA. MARGARITA G.
CASTRO, RUBEN S.
CATIGBE, HERNANDO L.
CAVESTANY, DIVINA F.
CENTINO, OFELIA M.
CHINGCUANGCO, ESPERANZA L.
CIRIACO, MARIE HAZEL V.
COLLO, NIÑA JESUSITA P.
COMON, BERNADETTE P.
CONCEPCION, DENNIS H.
CONGE, ANASTACIO T.
CONGE, MA. TERESA D.
CORDERO, ABEGUEL S.
CORDERO, RUBEN C.
CORNISTA, ELMER R.
CORNISTA, MONINA J.
CORONA, ENRICO C.
CORTES, JACINTO C.
CORTEZ, ENRIQUE M.
COSTA, HENRY A.
CRISOSTOMO, MARY ANN C.
CRUZ, ERWIN C.
CUISON, MARY CATHERINE Z.
CUNANAN, MA. GUADALUPE V.
CUSTODIO, ANGELITO A.

D
DABI, SANDRA V.
DADAL, ROSELLE MAY R.
DADPAAS, MIRIAM B.
DARIA, JENAFRILLE A.
DATINGALING, ESTELITA R.
DATO, CLARENCE E.
DATU, FLORDELIS M.
DATU, MARYLYN I.
DAYOG, LILY F.
DE GUZMAN-BASAÑES, CAREY F.
DE JESUS, MENARD B.
DE JESUS, PRINCESS L.
DE LEMOS, RAYMOND C.
DE LEON, EVANGELINE Q.
DE LEON, JOAN S.
DE LEON, RAFAEL D.
DE MESA, MA. LOURDES G.
DE SILVA, DEBORAH C.
DE VERA, HERMIL P.
DECENA, MARIVIC R.
DEL ROSARIO, ALEJANDRO S.
DELA CRUZ, AMAVI Y.
DELA CRUZ, EMELINA M.
DELA CRUZ, JOFREY B.
DELA CRUZ, RICA I.
DELA CRUZ, RICHARD O.
DELA PEÑA, MAXIMO Jr. C.
DELA ROSA, FRANKLIN M.
DELLOSA, CLARINDA C.
DELLOSA, MARK ANTHONY L.
DELOS REYES, NOEL Q.
DETICIO, ELAINE B.
DEVEZA, IDA R.
DIAZ, SANDRA A.
DILOY, MARY ANN D.
DIONISIO, VERONICA D.
DIVINO, DANILO P.
DIZON, CARLYLE G.
DIZON, EDEN TITA J.
DIZON, FRANCISCO N.
DIZON, ROSARIO E.
DOJILLO, ALEXANDER N.
DRILON, LUDOVINA V.
DUGAYO, CARLO CALIXTO J.
DULALIA, ROGELIO JR. P.
DUMALAGAN, DORAM T.
DUMBRIQUE, DAHLIA E.
DURANA, EUNICE L.

E
EAMILAO, DOROTHY C.
ECHIVERRI, AIMEE G.
ELEDA, GLENDA A.
ENRICO, MELANIE L.
ENRIQUEZ, REMEL R.
ESPINOSA, LEONARDO III G.
ESPINOSA, MARIA KARLA L.
ESTANISLAO, VIRGILIO C.
ESTEVES, CHERRYLYN L.
ESTOR, MICHELLE LD E.
ESTORES, GILDA T.
ESTRELLA, IRISH R.
EUGENIO, LEAH P.
EVANGELISTA, IRENE MERCEDES D.

F
FABRO, LUCYBEL T.
FAJARDO, DARWIN E.
FAJARDO, JOSEFINA R.
FAJARIT, JONNEL S.
FAMULARCANO, MAELYN S.
FAROFALDANE, THELMA C.
FAUNE, LYNN N.
FELIX, SHIRLEY G.
FELIX, YASMIN CORAZON B.
FERNANDEZ, MADELAINE BARBARA M.
FERNANDO, JUDALYN L.
FERNANDO, MODESTO JR. Y.
FERRERAS, VENUS V.
FIRMEZA, ARLENE FLORENCE E.
FLORES, ELMA L.
FLORES, KENETH B.
FLORES, MA. ROSELLA LUZ D.
FLORIZA, MA. LENITA I.
FORMARAN, LILIBETH R.
FRANCISCO, MA. LUZ B.
FRANCO, GERARDO C.

G
GALANG, CYRUS T.
GALOSMO, FREDY S.
GANA, JOSE MARI C.
GARCIA, TERESA H.
GATDULA, ABIGAIL E.
GATDULA, LAWRENCE C.
GATPATAN, EDGAR G.
GAVIOLA, ISABEL P.
GAYLA, MA. NENITA N.
GAYONDATO, DIVINA C.
GAYONDATO, LOIDA A.
GELOCA, IMELDA V.
GEPILA, MARY JANE G.
GILDO, CASILDA P.
GLORIANI, IMELDA L.
GO, ROSALYN M.
GONZALES, ARIOSTO S.
GONZALES, RENAR M.
GONZALES, ROMMEL A.
GONZALES, TERESITA D.
GRANIL, GERARDO A.
GUALBERTO, REIZA JOY F.
GUERRERO, NAPOLEON JOEY A.
GUICO, ANA LIZA F.
GUÑA, ALEX L.

H
HABER, ELMER JUAN C.
HANOPOL, MA. ESTER D.
HAW, MA. FRECELYN M.
HERNANDO, ARLENE R.
HERRERA, PETER NOEL P.
HIRANG, TEODORO JOSE D.
HORTELANO, FRANCIS RANDY J.

I
IBAÑEZ, CLARIBEL E.
IGNACIO, JOEL O.
IGOT, VERONICA T.
ILETO, OLIVER R.
INDORTE, ELOIDA B.
INFANTE, SHIELA GRACE M.

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JACINTO, NINA NOREEN A.
JACOB, JAMAEL A.
JANDA, ERICKZON M.
JANDAYAN, MARY ROSE A.
JANDUSAY, JOEL B.
JAO, JASON C.
JASMIN, RONALD ALLAN B.
JAVILLO, JONATHAN L.
JOSE, JACQUELINE O.
JOSE, NAPOLEON D.
JOVELLANOS, MARIA IVY B.
JOVEN, CELIA D.
JUAÑO, ADA C.
JURADO, RIZALYN P.

K
KIMPO, GAMALIEL F.

L
LABATORIO, ANNE M.
LACONSAY, ALVIN JAY D.
LACUBTAN, RENATO D.
LADRA, LUISITO H.
LAMIGO, MELODY E.
LANDICHO, WENNIE C.
LANUZA, JUDE THADDEUS T.
LAO, AILEEN B.
LAO, ANALINDA C.
LARANG, ANA LYN E.
LARESMA, LUIS D.
LAYNO, JOCELYN M.
LEDESMA, PILAR Y.
LEGASPI, LIONEL N.
LEIDO, MA. TERESITA V.
LEQUIGAN, RODNEY T.
LESIGUES, VICTORIANO C.
LIM, LOLITA M.
LIMQUECO, FELMA A.
LIQUIGAN, XANDREX FIDELIS A.
LLANA, MARIA FLORA C.
LOMIO, EMERSON M.
LOYOLA, MICHELLE C.
LUANZON, MA. POLA S.
LUCERO, RYAN C.
LUCINARIO, NILO ALDRIN M.
LUCOS, FLORANTE D.
LUMAQUEZ, JEFFREY L.
LUMIGUEN, JANICE E.

M
MAAN, ALICIA J.
MACADANGDANG, GLINDA R.
MACASPAC, JEROME B.
MADRID, MARICEL C.
MAGCASE, AIRENE V.
MAGDAY, BENEFICO M.
MAGSAKAY, TRINIDAD F.
MAGSINO, IMELDA K.
MAGTOLIS, DELILAH GRACE V.
MALANOG, ALMA TERESA R.
MALOLES, MAILEEN M.
MANA-AY, LORIO G.
MANARPAAC, AMOR P.
MANIAGO, VIVENCIO M.
MANLUSOC, MA. JENNIFER P.
MANSOS, RODELIA R.
MANZALA, VENUS P.
MANZANARES, MAURICIA C.
MARCELO, CYNTHIA B.
MARCELO, JOSELITA L.
MARCELO, MARICEL M.
MARCILLA, JOSETTE SONIA H.
MARGAJAY, SALUD E.
MARGES, ELIEZER M.
MARGES, REALINDA R.
MARQUEZ, MILDRED J.
MARQUEZ, NANETE L.
MARQUEZ, ROWENA P.
MATABANG, APOLONIO M.
MATEO, ARHNEL G.
MATEO, CARMINA V.
MATUTINA, CAROLINE R.
MELO, EMILY V.
MENDOZA, EDGARDO L.
MENDOZA, JOSELITO S.
MENDOZA, LIWANAG R.
MENDOZA, LUISITO Z.
MENDOZA, MARY ANN M.
MENDOZA, NANCY M.
MENDOZA, ROMEO JR. M.
MERCADO, JOSE ALEX P.
MERCADO, REGINA P.
MIANO, JOSE P.
MIANO, SERGIO JR. B.
MICU, NAPOLEON P.
MIKIN, MARLOWE F.
MINDANAO, JORGE JR. M.
MINGO, CYNTHIA B.
MIÑOZA, NOELA C.
MIRANDA, MARILOU G.
MOLINES, DARCY P.
MONES, EMMANUELITA R.
MONTES, JOSEFINA F.
MONTEVERDE, HELEN EVANGELINE Q.
MOPERA, JOSEPHINE G.
MORALES, ROSALINA G.
MORENO, LORNA C.
MORILLO, JOCELYN A.
MOZAR, ELLEN M.
MUSNI, MELANIE V.

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NADAL, NANITA O.
NATIVIDAD, MA. THERESA G.
NAZARENO, GLENN M.
NEPOMUCENO, JOCELYN J.
NICASIO, KRISTINE N.
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NUEVAS, MARGARET V.

O
OBRERO, ANGEL B.
OCAMPO, SHEILA THERESE P.
OCHOSA, EMMA B.
OCTAVO, WINNA FE B.
OLARTE, EDWIN M.
OLASE, ELIZA R.
OLDAN, JOCELYN GIOVANNA P.
OLDAN, JOVEN P.
OLEA, KARINA LOIDA M.
OLLER, ELIZABETH E.
ONESA, RICHARD T.
ONGTANGCO, LOUELLA H.
ORBETA, CRISTINA Q.
ORODIO, ROSELILY E.
ORTIZ, AMALIA T.

P
PACIS, ARNOLD L.
PADOLINA, ELIZABETH R.
PAGHARION, CHRISTI CLAIRE R.
PANALIGAN, ANTONIO L.
PANEDA, IMELDA R.
PANGAN, REFFIE M.
PANGANIBAN, JOVITA NANCY M.
PANGILINAN, ARLENE T.
PANOPIO, ROSE ANN B.
PANTALEON, ARTEMIO J.
PANTALEON, POLO JR. L.
PANTALUNAN, EVANGELINE R.
PARRA, MARIO D.
PASAMBA, MYLENE F.
PASCUAL, ETHEL C.
PASCUAL, JOHN HENRY M.
PATALINGHUG, QURALENE P.
PATRON, ROSANNA A.
PATRON, VAFIL V.
PE BENITO, ROMEO V.
PERAJA, MARIZEL B.
PERALTA, ARLENE A.
PEREZ, JOSEFINA B.
PICO, FERDINAND V.
PILARCA, AMADO JR. U.
PINEDA, JANICE N.
PINEDA, JOCELYN D.
POBLETE, ROSALIA S.
POLICARPIO, CARLOTA S.
PORTACIO, NELSON G.
PRADO, ANDRES JR. A.
PULMONES, THERESE ANN R.
PUMARAS, MELLANIE A.
PUNAY, MA. TERESA N.
PUNO, ALLAN JOSEPH L.
PUTONG, FE H.
PUZON, MARIVIC C.

Q
QUEMADA, JONAH A.
QUINTANO, IGNACIO M.
QUITONG, GAYLEE D.

R
RACELIS, CRISTINA M.
RAFALES, WILFREDO B.
RAGOTERO, MARIA SALOME E.
RAMIREZ, JOSEPH ARIEL P.
RAMOS, MARIA PERPETUA DANISA B.
RANTE, RODOLFO REYNALDO B.
RAYELA, HELEN L.
RAZ, VERNESA M.
REBADAVIA, JENNETTE C.
REBOSA, MYRA JEHAN V.
RECITAS, MA. CARMEN ROSARIO Z.
REFORMADO, MARIA MONITA B.
RELUCIO, MA. LOURDES R.
REMOLONA, ABRAHAM LINCOLN Q.
RESURRECCION, JOSETTE O.
RESUTA, EDMUND JEROME G.
RETES, IBELIO B.
REYES, FELY D.
REYES, LILIAN P.
REYES, RAUL C.
REYES, REY MICHAEL H.
REYES, RONALD L.
RIBAY, MADELEINE C.
RICERRA, MILET S.
RICO, ZENAIDA R.
RILLORTA, MA. SADDY MILA ENA B.
RIVERA, CECILIA C.
RIVERA, CRISTONICK V.
RIVERA, RADAMIS C.
RODRIGO, CORNELIA D.
RODRIGO, RAMIL B.
RODULFO, DOMINADOR JR. V.
ROLLAN, EVANGELINE L.
ROLLE, VERONICA O.
ROMANA, JOSEPH GERARD F.
ROMERO, DORIS P.
RONQUILLO, CLAIRE B.
RONQUILLO, WILFREDO JR. E.
ROQUE, ANNA LIESE L.
RUBRICO, MINVILUZ O.

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SABINO, MA. DIVINA E.
SALA, JOYCE A.
SALAMANCA, GRACE G.
SALAMIDA, ROMA P.
SALAZAR, JESUS JR. G.
SALCEDA, ARNEL V.
SALCOR, MA. THERESA B.
SALGADO, IMELDA R.
SALINAS, EMMA F.
SALONGA, LORETTA M.
SALVADOR, KARINA O.
SALVO, MA. RULINA U.
SAMBOLAWAN, JOSEFINA J.
SAMONTE, LEONOR S.
SAMSON, IMELDA D.
SAMSON, MAIDA G.
SAN JOSE, CATHERINE C.
SAN JOSE, MARIA BELINDA C.
SAN PEDRO, JOSEFINA S.
SANCHEZ, MA. BERNADETTE R.
SANTOS, JOHN EPHRAIM A.
SANTOS, JULITA A.
SAQUING, AARON BRYLLE Y.
SAURA, EDMUNDO L.
SAURA, ELISA T.
SEGOVIA, JUN CARLO C.
SENA, BENJAMIN JR. D.
SEÑA, HERMIENIGILDO JR. H.
SERRANO, MICHELLE N.
SESE, JOSEPH EMIL G.
SEVILLA-SAMSON, NANCY L.
SIAT, GLENN FLORENTINO V.
SIBULANGCAO, ANAROSE B.
SICIO, IRMINA D.
SIGUA, MELIZA M.
SILVERIO, JOCELYN G.
SIMON, ARIEL C.
SIMPLICIO, DELHI C.
SINCO, LERMA E.
SINGZON, IMELDA S.
SOLDEVILLA, ROSALIE L.
SOLTURA, NENITA A.
SONGALIA, JOSEFINA F.
SORIANO, LANI B.
STA. ANA, ERWIN D.
SUGUE, MELINDA E.
SUGUITAN, CHRISTOPHER G.
SUGUITAN, LYNETTE L.
SUMAWANG, MA. CECILIA C.
SY, EMMA D.
SY, MYRA S.
SYKIMTE, BALDWIN L.

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TABLIZO, EDWIN M.
TAGLE, AMABELLE L.
TAMANI, NESTOR VINCENT D.
TAMAYO, MILA O.
TAMAYO, RECAREDO LEIGHTON A.
TAN, ABELLA M.
TAN, MANUEL C.
TAN, RICKY M.
TAN, VICTOR M.
TAN, VICTORIA D.
TANIECA, CORAZON G.
TAPAO, MILAJOY J.
TATU, JOSEFINA MAY G.
TESALONA, MICHELLE F.
TOLENTINO, IONIE L.
TONGKO, BERNARDINO A.
TORRES, CHONA H.
TORRES, DAISY F.
TORRES, ERNESTO JR. R.
TORRES, MARCELO M.
TROGANI, MARTINA C.
TUMANG, EDITHA D.
TUMBOKON, NATHANAEL A.
TURGO, AURORA P.

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UNLAYAO, JANNEL G.
UY, RICHARD S.T.

V
VALDEZCO, MICHAEL R.
VALENCIA, REYNALISA L.
VALENCIA, ROSEANN A.
VALLADA, MA. JOSELYN S.
VALLADO, SUSAN VICTORIA P.
VARGAS, RICKY R.
VELASCO, CARLOTA M.
VELASCO, JANET L.
VELASQUEZ, TESSIE P.
VELEZ, RENATO P.
VELILLA, JOSEFINA J.
VENTAJAR, KAREN DT.
VERGARA, MARIA DELIA T.
VERGARA, NORMAN Q.
VESTAL, MA. TERESA C.
VICTORIA, GENOVEVA A.
VIDAL, LYRA ANGELA M.
VILLALUNA, NIÑO RAY L.
VILLANUEVA, MA. THERESA S.
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VILLARAMA, MARIA MELANIE S.
VILLAREAL, JOVAL L.
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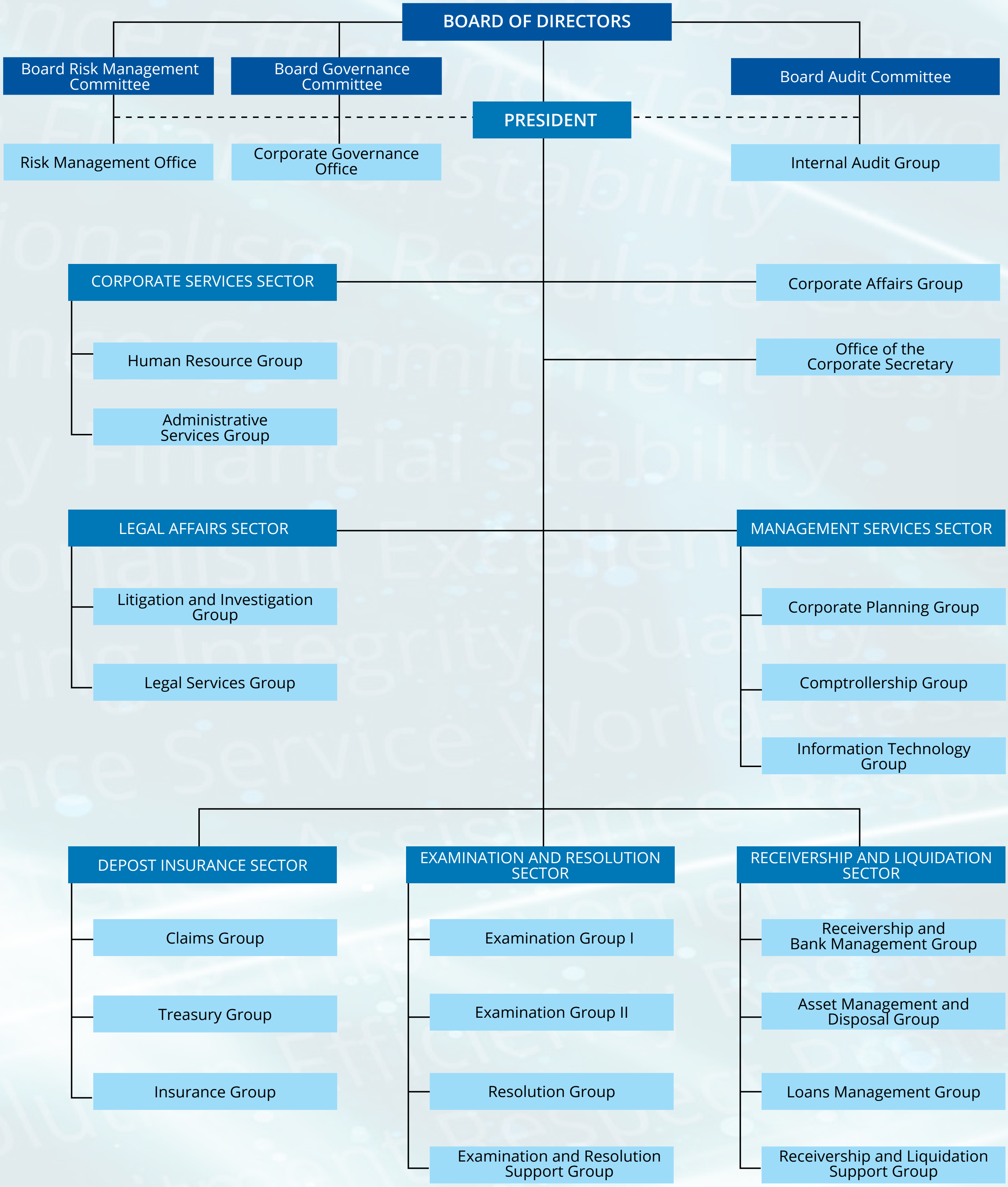
VILLEGAS, MA. ANA CARMELA L.
VILLENO, MADELINE T.
VIRAY, ANA ROSA E.
VISAYA, BASILIO JR. O.

Y
YBAÑEZ, ANTONIO ERROL JR. B.

PHILIPPINE DEPOSIT INSURANCE CORPORATION ORGANIZATIONAL CHART



Committed to Serve

depositor protection

professionalism

world-class

quality culture

excellence

financial stability

ANNUAL REPORT

2012


integrity
good governance
responsive resolution
deposit
insurer
Service
co-regulator
teamwork
receiver and liquidator
respect for all people