Achieving New Heights at 50

2013 ANNUAL REPORT

Vision

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

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.

Corporate 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."

Customer Service Philosophy

Committed to Serve

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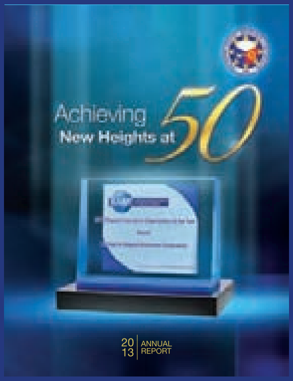
Our Cover



This year's theme, "Achieving new heights at 50", is a testament to PDIC's accomplishments during the year and its continuous commitment to public service excellence. Both these elements have greatly contributed to PDIC's being recognized as the Deposit Insurance Organization of the Year by the International Association of Deposit Insurers (IADI).

New heights in deposit insurance were achieved through the Corporation's unrelenting efforts to enhance depositor protection, maintain financial stability, and raise operational standards to international caliber consistent with the Core Principles for Effective Deposit Insurance Systems set by the IADI.

Not only was winning the DIO Award a fitting culmination to the PDIC's 50-year journey towards world-class excellence in deposit insurance, it also serves as an inspiration to propel the Corporation to even greater heights in the next 50 years.

In Focus: **The Philippine Deposit Insurance System**

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.*

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. *Deposit Insurance.* The Corporation provides maximum deposit insurance coverage of Php500,000. 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. *Examination and Resolution*. The PDIC works closely with the Bangko Sentral ng Pilipinas (BSP) in strengthening and maintaining the stability of 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 eligible distressed banks.

III. *Receivership and Liquidation.* The PDIC is the statutory receiver and liquidator of closed banks. 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, the assets are managed and distributed to creditors 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 in the Philippines:

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

- Domestic branches of foreign banks

Scope of Deposit Insurance Protection

PDIC provides deposit insurance of up to Php500,000 per depositor per bank. It covers all types of bank deposits in member-banks whether denominated in local or foreign currencies. As of December 31, 2013, total deposits in the banking system amounted to Php7.6 trillion involving a total of 45.4 million deposit accounts. Of these deposit accounts, 96.7% are fully covered by deposit insurance.

PDIC insures valid deposits in domestic offices of member-banks:

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 accounts or transactions are not covered by deposit insurance whether denominated, documented, recorded or booked as deposits by the bank:

i. Investment products such as bonds and securities, trust accounts, and other similar instruments;

ii. Deposit accounts or transactions which are unfunded, or that are fictitious or fraudulent;

iii. Deposit accounts or transactions constituting, and/or emanating from, unsafe and unsound banking practice/s[1], as determined by the Corporation, in consultation with the BSP, after due notice and hearing, and publication of a cease and desist order issued by the Corporation against such deposit accounts or transactions; and

iv. Deposits that are determined to be the proceeds of an unlawful activity as defined under Republic Act 9160, as amended.

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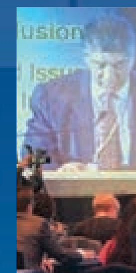
[1] Under PDIC Regulatory Issuance No. 2011-01, the PDIC shall deem a deposit-related practice, activity, transaction, or omission to be an unsafe and/or unsound banking practice when it has resulted or may result in:

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.*



Promoting **Stability**

Certificate of Registration

This is to certify that

Philippine Deposit Insurance Corporation

SSS Building, 6782 Ayala Avenue corner Rufino Street, Makati City, Metro Manila, Philippines

operates a quality management system which has been assessed as conforming to

ISO 9001:2008

for the scope of activities

Claims settlement.

Certificate No: CIP/4390/10/05/705 Issue Date: 27 May 2013

Valid until 26 May 2016

2013 at a Glance

Protecting **Depositors**

Celebrating the **50th Anniversary**

Expanding **Influence**

Transforming **Vision into Reality**

Enhancing **Capabilities**

Transmittal **Letters**

PHILIPPINE DEPOSIT INSURANCE CORPORATION

August 2014

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) on its 50th founding anniversary. The year 2013 was particularly eventful as PDIC was named Deposit Insurance Organization of the Year by the International Association of Deposit Insurers (IADI) in November, a testament to its achievements in pursuing its mandate of protecting the depositing public and maintaining financial stability.

The highly coveted international recognition will continue to inspire us to remain steadfast in our commitment to public service.

On behalf of the PDIC Board of Directors, former President Valentin A. Araneta, Management and staff, we thank His Excellency and the PDIC Chairman for your unwavering support. We are confident that driven by the passion to enhance public service delivery and guided by the strategic Roadmap to 2016, we will be able to sustain the momentum of 2013 to reach new heights in serving and protecting the depositing public.

Very truly yours,

CRISTINA Q. ORBETA
Officer-in-Charge

NOTE:
Executive Vice President Cristina Q. Orbeta was designated by the PDIC Board of Directors as Officer-in-Charge of the Corporation effective July 30, 2014 upon appointment of PDIC President Valentin A. Araneta as Member of the Monetary Board.

PHILIPPINE DEPOSIT INSURANCE CORPORATION

August 2014

Honorable FRANKLIN M. DRILON
President of the Philippine Senate

Honorable FELICIANO R. BELMONTE, JR.
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 2013. Under the leadership of President Valentin A. Araneta, the year was marked with significant accomplishments in the fulfillment of PDIC's mandates in Deposit Insurance, Examination and Resolution, and Receivership and Liquidation of closed banks. Our 50th founding anniversary which we commemorated this year fittingly culminated with the Deposit Insurance Organization of the Year Award by the International Association of Deposit Insurers (IADI), an international recognition that placed our deposit insurance operations at par with international standards.

On behalf of the PDIC Board of Directors, Management and staff, I thank the Senate and the House of Representatives for continuously supporting the PDIC.

I affirm the Corporation's commitment to safeguard the interests of the depositing public and help promote stability in the banking system.

Very truly yours,

CRISTINA Q. ORBETA
Officer-in-Charge

"I also wish to particularly congratulate the men and women of the PDIC as the organization is accorded by the International Association of Deposit Insurers as the Deposit Insurance Organization of 2013, a first in Philippine history. "

CHAIRMAN'S MESSAGE

I extend my warmest congratulations to the Philippine Deposit Insurance Corporation (PDIC) in celebration of its 50th anniversary in 2013.

I also wish to particularly congratulate the men and women of the PDIC as the organization is accorded by the International Association of Deposit Insurers as the Deposit Insurance Organization of 2013, a first in Philippine history. The award is a validation that the Corporation continues to pursue its policy objectives of protecting the depositing public and promoting financial stability through effective service delivery.

Through improved processes, the PDIC has been able to immediately settle deposit insurance claims, whether by mail or onsite, for all banks closed in 2013. To depositors with deposit balances of up to Php15,000, checks were mailed within 11 days from takeover of the bank, an improvement from 18 days in 2012. Onsite claims settlement commenced within 22 days from takeover date, a significant improvement from 66 days in 2012. Depositors were paid onsite at an average processing time of less than 10 minutes.

The PDIC has shown marked developments in several other facets of its mandate. As part of its campaign for greater financial literacy across all sectors of the depositing public, the Corporation published in 2013 "Usapang Pera", its first guidebook to savings, basic banking, and financial transactions. To enhance creditors' recovery, the Corporation has instigated legal action – in 2013 alone, it has filed nine criminal cases against erring bank directors and officers who have engaged in unethical banking practices. Last year, the Corporation has also enhanced its capability to conduct offsite bank monitoring and risk surveillance through new systems for failure prediction and stress testing. It has conducted onsite examination of 60 banks and promoted specialized programs for rural banks and cooperative banks. Lastly, the PDIC went beyond the call of duty when it took over the Rural Bank of Catubig a day after typhoon Yolanda struck the nation and commenced payment of depositors in ten days.

The Corporation's ability to perform its mandate effectively is backed by a Deposit Insurance Fund (DIF) that it has managed prudently – the DIF reached a high of Php90.2 billion at the end of 2013 from Php85.7 billion the previous year. The DIF has also met its target, standing at 5% of total insured deposits.

Several indicators have shown that these strides that the PDIC made in the past year have paved way to a stronger banking sector. In 2013, the PDIC took over 18 banks closed by the Monetary Board, the lowest number of bank closures since 2007. Depositor confidence has also remained high, manifested by the growth in bank deposits of 32.2% year-on-year. At the close of the year, total deposits reached Php7.6 trillion representing 45.4 million deposit accounts.

The year 2013 has indeed been fruitful for the PDIC; but, I have high expectations for what is to come. Growth prospects for the Philippines remain bright, which may encourage more Filipinos to entrust their money to our banks. As the PDIC begins another fifty years of service, it is crucial for the organization to remain proactive amidst a thriving economy, innovative to fit the changing needs of the public, and fortified against potential risks to the banking system.

Let us sustain the passion to serve as we build an even better future for our countrymen.

CESAR V. PURISIMA
Secretary, Department of Finance
Chairman, PDIC Board of Directors

"The year 2013 was a hallmark year for the Philippine Deposit Insurance Corporation (PDIC). The Corporation celebrated the 50th Anniversary of its establishment by scaling new heights in the attainment of its mandates and its commitment to serve the depositing public."

PRESIDENT'S REPORT

The year 2013 was a hallmark year for the Philippine Deposit Insurance Corporation (PDIC). The Corporation celebrated the 50th Anniversary of its establishment by scaling new heights in the attainment of its mandates and its commitment to serve the depositing public.

Public Awareness

The Corporation optimized the public awareness opportunities accorded by the observance of its golden jubilee year. Public awareness is considered very important to depositor confidence and financial stability and one of the Core Principles for Effective Deposit Insurance Systems of the International Association of Deposit Insurers (IADI). Thus in June of 2013, the PDIC hosted the 39th Executive Council meeting of the IADI in Manila and this was followed by an International Conference on Financial Inclusion. A courtesy call on President Benigno S. Aquino III at the Malacañang Palace by the Chairman and members of the Executive Council of IADI highlighted the PDIC's anniversary week celebration. These events were held during the Depositor Protection and Awareness Week on June 16 – 22, 2013. These activities gave PDIC the opportunity to expose its existence and mandates and to showcase the Philippines as an investment destination to all stakeholders including its peers in other countries.

Several other meaningful public awareness activities were undertaken during our 50th anniversary year including:

- The launching of the **PDIC guidebook on Basic Banking and Financial Transactions, (Usapang Pera: Mga Dapat Alamin)**, a guidebook for the layman, students, retirees, overseas workers and people from all walks of life on how to save and preserve their savings through the use of the facilities of the banking system.
- The approval by the Board of PDIC's Corporate Social Responsibility statement of concern for **"the protection of the environment and the balanced development of communities"**.
- The circulation of the PDIC 50-piso commemorative bill to the public by the Bangko Sentral ng Pilipinas and the issuance of the PDIC commemorative stamp by the Philippine Postal Corporation to mark the golden anniversary of PDIC.

President's **Report**

Deposit Insurance Organization of the Year Award

As providence would have it, the most effective public awareness event of all came by way of the **Deposit Insurance Organization of the Year (DIO)** award for the year 2013 given to PDIC by the IADI during the Annual General Membership Meeting in Buenos Aires, Argentina last November 2013. The award is given to the member *"determined to have made significant achievements in bank resolutions and payout of claims against insured deposits; compliance with the IADI Core Principles and international participation; and deposit insurance system improvements"*. This award is particularly meaningful to the men and women of PDIC because it is a recognition by the Corporation's peers worldwide, of the standards and capabilities attained by a Philippine Government Institution.

The activities of PDIC in pursuing its five year roadmap have in effect, helped enable it to attain this award. These activities are outlined as follows:

Strengthening the Organization

The Corporation determined that the best way that the strengths and capabilities of the organization could be measured was by way of its compliance to the IADI Core Principles. The work on this endeavor that was started through the establishment of the IADI Counterpart Assessment Team culminated with an external assessment of PDIC's level of compliance to the Core Principles by a panel of experts coming from members of IADI and the World Bank. The external assessment also took place during the anniversary month of June, another memorable event for the 50th year of the Corporation.

The mode undertaken by PDIC in the internal assessment of its compliance to the Core Principles has become a model for the IADI organization that other members undergoing compliance assessment may follow.

Early Detection of Bank Weaknesses and Fraud to Prevent Bank Failure

The number one item in the Corporation's roadmap coincides with the IADI Core Principle on "Early detection and timely intervention and resolution". The PDIC was able to obtain funding from the Financial Sector Reform and Strengthening (FIRST) Initiative under the auspices of the World Bank to develop a "Stress Testing Model" and a "Bank Failure Prediction Model". These models were turned over to PDIC in June and September, respectively and are now being used in the monitoring functions of PDIC over the member banks. The models have enhanced the surveillance and risk management capabilities of PDIC.

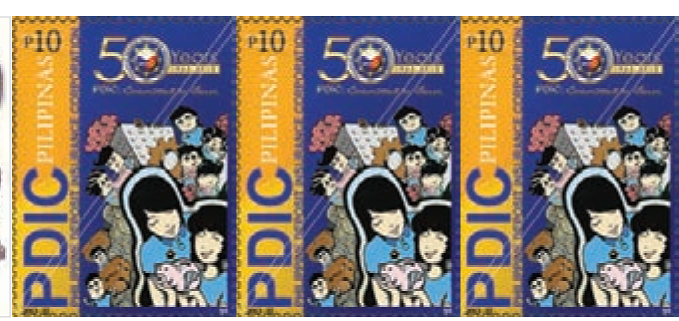
Legislative Amendments to the PDIC Charter

The Committee on Legislative Initiatives was created during the year which promptly went to work on the most important task of aligning the PDIC Charter to the requirements and challenges of depositor protection and financial stability amid systemic risks in a global setting.

The proposed amendments have enjoyed strong support from the Department of Finance and the other concerned executive branches of government as well as from members of the Legislature, member banks and other stakeholders. Legislative amendment is a long process which will continue in 2014 and even beyond. The bottom line objective of the proposed Charter amendment is to make PDIC a stronger and more capable financial safety net player. This becomes all the more important in view of the country's growing involvement in the economic integration of the Association of South East Asian Nations (ASEAN) and the world economy in general.

The Deposit Insurance Fund

The Deposit Insurance Fund (DIF) attained the level of 5% (Php90 billion) of the estimated insured deposits of the banking system. This is the level that was recommended



by the consultants in a study sponsored by the FIRST Initiative/World Bank. The DIF functions as a pillar for the stability of the banking system.

Improvement of Services

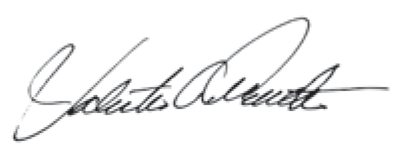
Reimbursing insured depositors of failed banks promptly is an IADI Core Principle that perfectly fits in the PDIC's customer service philosophy, **"Committed to Serve"**. The Corporation undertook a review of its processes of paying the insured deposits of closed banks and overhauled the system. As a result of the improvements made, the average turnaround time that it took to complete the field claims settlement operations of reimbursing the insured deposits of closed banks was reduced to 22 days in 2013 compared to 66 days in 2012, an improvement of 67%. Improvements in the process are continuing and expected to reduce the turnaround time further.

It is a very important financial stability measure for the public to know that the deposit insurance system will give them prompt access to insured deposits in case of bank failure. This averts concerns of confidence with deposits in other banks.

In its drive to improve the services, the PDIC continued to invest in information and communication technology including the technology to improve the reimbursement process discussed above. A simple example of the use of telecommunications technology was the introduction of a toll-free number that stakeholders outside the National Capital Region could call for all inquiries regarding the services of PDIC.

The receipt of the Deposit Insurance Organization of the Year Award from IADI during its golden anniversary year marks the culmination of an era of commitment and hard work by the Board, Officers and Staff of PDIC. It is also their humble tribute to the capabilities and work ethic of the Filipino.

"The receipt of the Deposit Insurance Organization of the Year Award from IADI during its golden anniversary year marks the culmination of an era of commitment and hard work by the Board, Officers and Staff of PDIC. It is also their humble tribute to the capabilities and work ethic of the Filipino."



VALENTIN A. ARANETA
President


10
PISO
2010

The Corporate **Environment**

The Economy

The Philippine economy grew by 7.2% in 2013, exceeding last year's performance of 6.8%. Gross domestic product (GDP) was well within the official growth forecast of 6.5% to 7.5%. This was achieved despite the impact of a strong earthquake and supertyphoon on the domestic front, and excessive volatility in capital flows on the external front. Growth remained broad-based and macroeconomic fundamentals – low inflation, favorable interest rate, and strong fiscal and external positions – remained strong.

Performance by industry

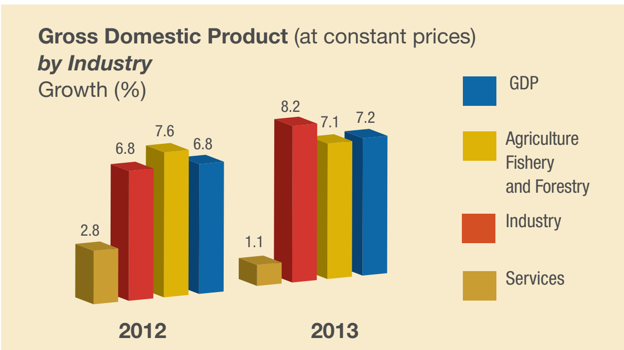
The Industry sector bannered the economy's growth, picking up by 8.2% from 6.8% last year. The Services sector expanded, albeit slightly lower, at 7.1% compared with 7.6% the previous year while Agriculture slipped to 1.1% from 2.8% last year largely due to the impact of natural calamities.

The Industry sector was buoyed by the strong performances of the construction and manufacturing sub-sectors which grew by 11.1% and 10.5%, respectively in 2013 from 15.7% and 5.4%, respectively in 2012. Construction was bolstered by the build-up of activities in both the public and private sectors, while Manufacturing was largely driven by expansion in chemical and chemical products, basic metal industries, and furniture and fixtures.

While the growth in the Services sector decelerated, all of its sub-sectors posted positive gains: financial intermediation, real estate, renting and business activity, trade and repair of motor vehicles, motorcycles, personal and household goods, transportation, storage and communication, other services; and public administration, defense and compulsory social security.

The Corporate **Environment**

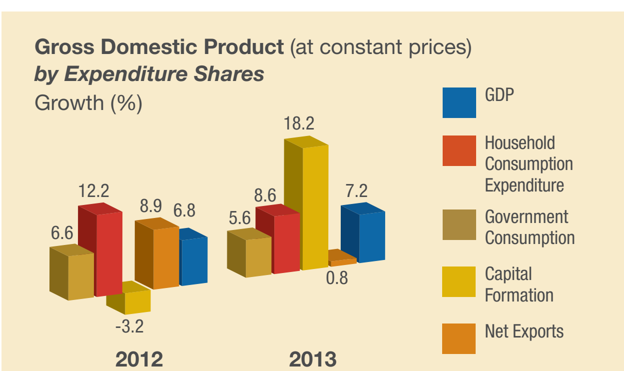
Notwithstanding the devastation brought about by the series of natural calamities that hit the country in the last quarter of 2013, the Agriculture sector still managed to post a positive growth rate. The growth was driven by production increases in cassava, mango, poultry, pineapple, *palay*, livestock, other crops, and rubber. Expansion in area harvested, improvement in yield, lower incidence of pests and diseases, and induction of more trees boosted gross output.



Industry led supply side growth, boosted by manufacturing, with agriculture showing resilience amid serious devastation from natural calamities.

Performance by expenditure shares

On the demand side, capital formation was the main driver of growth in 2013 as it grew by 18.2%, after a negative growth of 3.2% the previous year. While household and government consumption expenditures expanded by 5.6% and 8.6%, respectively in 2013, they were slower than 6.6% and 12.2%, respectively as reported in 2012. Net exports of goods decelerated to 0.8% in 2013 after growing by 8.9% last year.



Investment spurred economic expansion on the back of strong overall demand.

Capital formation was fueled by the strong demand for intellectual property products, durable equipment and construction. More buoyant government spending on economic and social services propped up growth in government final consumption expenditure. Increased spending on personnel and maintenance and operating expenses, social services particularly education, conditional cash transfer to poor families as well as election-related expenses added to government spending. On the other hand, increased spending on housing utilities, health, restaurants and hotels, and communication boosted household final consumption expenditure.

Higher export receipts from goods and services buoyed export performance, rising 0.1% and 3.5%, respectively during the year. Exports of goods was valued at US$54.0 billion as against US$52.1 billion in 2012, while exports of services reached US$21.6 billion from US$18.6 billion the previous year. Electronics contributed 40.4% of total exports. Japan was the top destination for exports followed by the United States, China, Hong Kong and Singapore. Total imports was valued at US$86.9 billion, compared with US$84.8 billion last year. Merchandise imports which accounted for 80% of total imports consisted of electronics, mineral fuels and transport equipment, while travel and transportation accounted for a significant share in total imports of services.

Prices and interest rates

Favorable price environment provided the impetus for the strong expansion of economic activities. Annual average inflation rate slipped to 3.0% from 3.2% in 2012, the slowest in six years and the low-end of the forecast of 3.0% to 5.0%. This was achieved despite the spike in inflation in December which reached a two-year high due to increase in electricity rates and the impact of supertyphoon Yolanda that saw tighter food supply conditions in affected areas. Meanwhile, the bellwether 91-day Treasury Bill Rate – the basis of banks in setting loan rates – fell to 0.32% from 1.58% in 2012 due to strong portfolio investment inflows, low inflation and the strong peso. The credit rating upgrade of the Philippines to investment grade status by Moody's in October supported the low interest rate regime. The foreign exchange rate remained stable during the year averaging Php42.45 to a dollar compared with the Php42.24 average last year. Stable prices and interest rates helped ease the pressure on the rate.

Overall, sound macroeconomic fundamentals and the government's continued pursuit of reforms towards more inclusive growth kept the economy vibrant in 2013 and led to credit rating upgrades by Moody's Investors Service from Ba1 to Baa3, by Standard & Poor's to BBB-, by Fitch Ratings to BBB-, and by the Japan Credit Rating Agency to BBB. The Philippines has been rated investment grade by all three major ratings agencies.

Outlook

Prudent monetary and fiscal policies will sustain economic growth in 2014, at between 6.5% and 7.5%. Monetary policy will continue to focus on maintaining price stability, prudent monetary policy and sound financial system. Inflation outlook will remain between 3% to 5%. Fiscal policy will focus on higher spending for social and infrastructure projects to ensure sustained and inclusive economic growth even as the National Government has programmed a manageable deficit of 2% of GDP. The improving income and growth of working-age population should likewise support greater demand and investment activities.

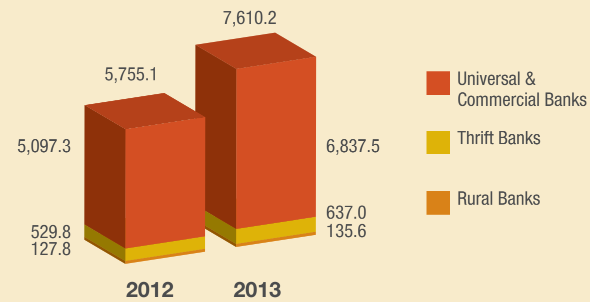
Continuing initiatives of the government to improve governance and address corruption have augured well for greater political and economic stability in recent years, and these should continue to benefit the economy over the medium-term. On the external front, the improving global economic environment, particularly in emerging economies, as well as the forthcoming regional integration of the country with the rest of the ASEAN in 2015 will bring greater economic opportunities in terms of expanded trade and cooperation in goods, services, labor, technology and finance.

The Banking System

The banking system is the core of the Philippine financial sector and the economy's principal source of credit. Commercial banks (KBs), the biggest among bank types, offer the widest variety of banking services among financial institutions. Thrift banks (TBs), meanwhile, cater to the consumer or retail sector, the small-and–medium enterprises, and the middle market, and are largely concerned with the mobilization of small savings and lending at generally longer and easier terms. Rural banks (RBs), on the other hand, aim to provide basic financial services to the people in the countryside to promote and expand the rural economy.

Year-on-year, deposits went up to Php7.6 trillion from Php5.8 trillion or by 32.2% partly due to the shift from the Special Deposit Accounts (SDA) facility of the Bangko Sentral ng Pilipinas (BSP), after access of banks and trust departments/entities to the BSP SDA facility was limited[2]. SDAs reached Php1.37 trillion as of yearend from Php1.64 trillion at the end of 2012.

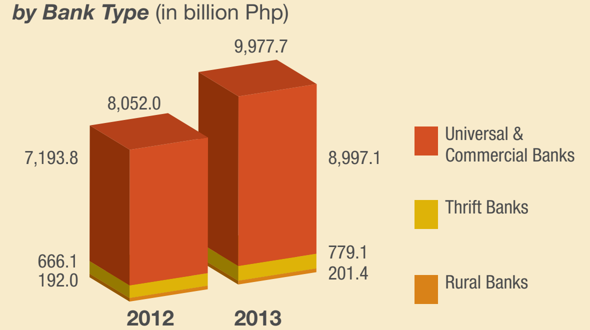
Deposit Liabilities
by Bank Type (in billion Php)



The steady growth in deposits in all bank types reflected depositors' confidence in the banking system. KBs posted the highest deposit growth rate at 34.1%, followed by TBs and RBs at 20.2% and 6.1%, respectively. Time and savings deposits which grew by 34.9% and 27.4%, respectively, accounted for 78.0% of the total deposits in the banking system and provided the main source of funding.

Driven primarily by growth in deposits, assets grew by 23.9% reaching Php10.0 trillion at end-2013 from Php8.0 trillion last year. KBs cornered 90.0% of bank resources, while TBs and RBs accounted for 8.0% and 2.0%, respectively.

Total Assets
by Bank Type (in billion Php)

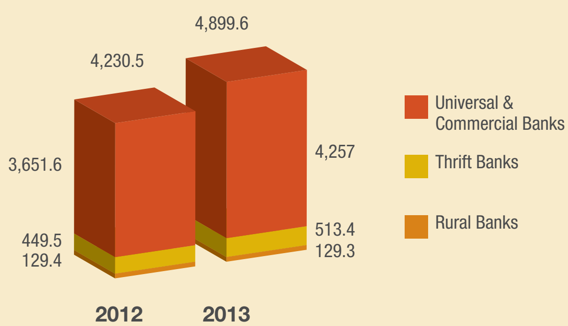


[2] BSP Memorandum to All Banks/Non-Bank Financial Institution dated 17 May 2013 required SDA placement of trust departments/entities under the investment management accounts (IMA) to be reduced by at least 30% by end-July 2013 (relative to the outstanding balance as of 31 March 2013) and the remaining balance must be phased out by end-November 2013. Thus, beginning 1 January 2014, placements of trust departments/entities in the SDA facility must consist only of funds from trust accounts allowed under existing regulations.

The Corporate **Environment**

Gross loans grew by 15.8% to Php4.9 trillion as of yearend from Php4.2 trillion as of December 2012. KBs and TBs recorded double-digit loan growth at 16.6% and 14.2%, respectively, while RBs contracted by 0.1%.

Gross Loans
by Bank Type (in billion Php)

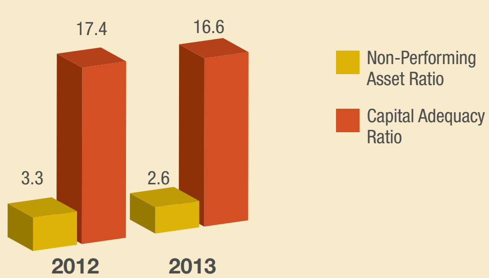


Asset Quality

Following the decline in non-performing assets (NPA) and asset expansion, NPA ratio to total assets further declined to 2.6% as of yearend from 3.3% a year ago. NPAs were down from Php275.4 billion in December 2012 to Php265.7 billion as of yearend.

Nothwithstanding improved quality of assets, banks continued to make provisions for non-performing loans (NPLs). NPL coverage ratio reached 118.2% as of yearend from 109.5% in 2012. KBs have set aside allowance for losses at 145.3% as of yearend from 127.7% in 2012 or a growth of 13.8%. TBs' allowance for losses also increased to 69.2% as of yearend from 68.2% in 2012. Meanwhile, allowance for losses among RBs declined to 59.5% from 64.2%.

Asset Quality and Capitalization
(in %)



Quality of assets improved with lower NPA ratio while capital adequacy ratio remained at prudential levels.

Liquidity

Liquidity remained high. Quick assets was recorded at more than half of total deposits at 58.8% as of December 2013, from 56.6% in 2012, while loans to deposits ratio declined to 64.4% from 73.5% in 2012. Deposit growth outpaced loan growth for all bank types.

Capitalization

The capital adequacy ratio (CAR) of the industry remained higher than the 10% minimum CAR required by regulators although slightly declining from 17.4% in 2012 to 16.6% as of December 2013. Across bank types, CAR was recorded at 16.5% for KBs, 16.8% for TBs and 18.1% for RBs.

Profitability

The Philippine banking industry posted earnings (after tax) of Php145.3 billion, up by 19.4% compared to the Php121.7 billion earnings registered in 2012. KBs accounted for 91% or Php132.5 billion of total earnings posted. All bank types registered double-digit positive growth as of yearend. Earnings of TBs and KBs grew by 19.8% and 19.4%, respectively, while earnings of RBs increased by 14.9%. Return on assets (ROA) was steady at around 1.6% as of yearend, while cost-to-income ratio declined to 61.0%, from 63.8% a year ago, as banks continued to rein in on cost.

Branch Network

Bank mergers and consolidations and closure of banks reduced the number of banking institutions operating in the country to 673 as of yearend, down by 23 banks from 696 a year ago. Despite the decline in the number of banks, branch network rose by 6.1% or 527 units to reach 9,184 from 8,657 last year. KBs led the expansion accounting for 57.0% of bank branches.

Outlook

The Philippine banking industry faces major challenges with the adoption of Basel 3 standards in 2014 by the KBs and their subsidiary banks and the onset of the ASEAN economic integration by 2015. The industry's strong balance sheet and highly professional workforce supported by the country's healthy macro-economic fundamentals and business environment plus a vigilant and cautious supervision and regulation of banks will enable it to surmount these challenges and sustain its strong performance and stable condition.

Transforming
Vision into Reality

PDIC won the prestigious Deposit Insurance Organization (DIO) of the Year Award for 2013. The recognition was conferred to the PDIC during the 12th International Association of Deposit Insurers (IADI) Annual Conference and Annual General Meeting of Members held in Buenos Aires, Argentina on November 7, 2013. Executive Vice President Cristina Q. Orbeta (Receivership and Liquidation Sector) received the award for the Corporation.

Finance Secretary and PDIC Board Chairman Cesar V. Purisima lauded the PDIC for being awarded Deposit Insurance Organization (DIO) of the Year and rallied the workforce to continue its service commitment to the depositing public. The award was presented to the Secretary by PDIC President Valentin A. Araneta, PDIC Executive Vice Presidents Imelda S. Singzon and Cristina Q. Orbeta, and PDIC Directors Rogelio W. Manalo and Protacio T. Tacandong.

The IADI Awards Committee bestowed the DIO Award upon the Corporation for its significant achievements in three categories, namely, bank resolutions and payouts; compliance with the IADI Core Principles and international participation; and deposit insurance system improvements.

The Awards Committee is composed of the Chairperson of the Membership and Communications Committee, the IADI Secretary General, and DIO of the Year awardees for the last three years. In line with IADI rules, the Awards Committee conducted an evaluation of the achievements of the deposit insurance organizations nominated for a period of three years prior to the IADI Annual General Meeting.

On December 10, 2013, President Valentin A. Araneta presented the DIO of the Year Award to Finance Secretary and PDIC Board Chairman Cesar V. Purisima who congratulated the PDIC for its international recognition, a fitting culmination to the PDIC's unwavering pursuit of excellence. The award serves as an inspiration for the Corporation to continue to strive to improve delivery of service to the depositing public and performance of its mandate.

The Road to the Deposit Insurer of the Year Award

The IADI Awards Committee evaluated the PDIC's performance for a period of three years prior to the IADI Annual General Meeting or from October 2010 to October 2013.

The IADI Counterpart Assessment Team (I-CAT) headed by Executive Vice President Imelda S. Singzon (Examination and Resolution Sector) which conducted an internal assessment of PDIC's compliance with the IADI Core Principles was tasked to prepare the requirements for nomination based on the criteria set by the IADI Awards Committee.

Category 1: Banking Resolutions and Payouts

The first category recognizes the significant accomplishments by the DIO that has handled or experienced the resolution and/or payout process of one or more failed financial institutions during the assessment period, based on current international best practices.

It has six criteria which called for the DIO to have a legal framework that will ensure that the DIO can implement an effective and timely failure resolution for the orderly liquidation of the bank, powers to carry out the payout or transfer of insured deposits and procedural manuals for its resolution and/or payout processes. The criteria also included experience in the resolution of a member institution and required the DIO to have carried out the resolution of a local systematically important financial institution (SIFI). In case the resolution mechanism is payout of insured deposits, the payout should be carried out in a proper manner. The DIO is likewise expected to have either initiated or concluded a recovery process for the assets of a failed member institution; and to have established or carried out activities to enhance its relationship with domestic safety net participants, particularly those involved in the resolution process.

SELF-ASSESSMENT. The PDIC IADI-Counterpart Assessment Team (I-CAT), headed by EVP Imelda S. Singzon (Examination and Resolution Sector), was tasked to ensure the Corporation's compliance with the IADI Core Principles. PDIC's internal assessment of its compliance with the Core Principles has become a model for other IADI members undergoing their own self-asessment.

The major achievements under this Category were:

A. *Prompt Takeover and Payout of Closed Banks*
The PDIC administered the resolution and payout processes of closed banks based on policies and processes that are constantly enhanced in coordination with other financial regulators. Starting in 2012, the PDIC implemented the Project Management Team (PMT) approach to Claims Settlement Operations (CSO). The adoption of the PMT approach reduced the turnaround time to start CSO from bank takeover. The approach has been used in succeeding bank closures.

B. *Receivership and Liquidation of Closed Banks*
A total of 74 banks ordered closed by the Bangko Sentral ng Pilipinas (BSP) has been placed under PDIC receivership during the three-year assessment period. The PDIC also terminated, from January 2012 to August 2013, the liquidation of 128 closed banks.

C. *Assistance to Banks*
The PDIC granted financial assistance aggregating Php1.8 billion to nine banks to pursue the resolution of these banks and the further strengthening of the banking system. Meanwhile, financial assistance of Php1.3 billion was extended to a commercial bank as an incentive for acquiring a thrift bank through purchase of assets and assumption of liabilities (P&A).

Category 2: Core Principles and International Participation
This category recognizes the efforts by a DIO to be compliant with the IADI Core Principles for Effective Deposit Insurance Systems either by carrying out an evaluation of compliance or by making the necessary modifications to be compliant, as well as to recognize achievements in the international arena relating to the Core Principles or other areas.

The second category required the DIO to carry out a self-assessment for compliance with the Core Principles and to host a Core Principles Assessment Methodology Workshop or be the subject of an assessment by the Financial Stability Board (FSB), IADI, International Monetary Fund (IMF) or World Bank, for compliance with the Core Principles. The DIO has to be the subject of an assessment in the past and to implement significant changes in order to enhance compliance and has participated as assessor in a Core Principles Assessment Methodology Workshop and/or an IMF or FSB Workshop or review regarding the Core Principles Assessment Methodology, or otherwise participated in IADI activities regarding the Core Principles and/or Methodology. In addition, the DIO is also expected to have attended, assisted in or organized a capacity-building event or seminar and participated in IADI research papers, subcommittees, working groups or other activities. Collaboration through signed Cooperation Agreements with other DIOs, foreign financial authorities and/or international organizations regarding deposit insurance and resolution issues is also required.

Transforming
Vision
into Reality

EXTERNAL VALIDATION. The PDIC was subject of an external assessment by the IADI team of experts from June 24 to 26, 2013. The IADI External Assessors Team agreed with and confirmed the PDIC's self-assessment on 14 out of 18 Core Principles.

A number of corporate achievements supported these criteria, as follows:

A. *Assessment of Compliance with Core Principles*
The PDIC formed its IADI Counterpart Assessment Team (I-CAT) in 2012 to conduct a self-assessment of the Corporation's compliance with the Core Principles. The self-assessment was later reviewed by the IADI external assessors team and the latter agreed to most of the ratings/findings based on the self-assessment.

B. *Involvement in International Undertakings*
As a founding member of the IADI, the PDIC participates in international seminars, committees and researches organized by its peer deposit insurance agencies (DIAs). The PDIC organized international conferences/seminars and five study visits for requesting DIAs. The Corporation also acted as resource persons in several IADI-sponsored conferences and seminars/workshops. PDIC President Valentin A. Araneta became the IADI Audit Committee Chairman in February 2013. PDIC also shared experiences in various areas of operation, providing training and guidance to other DIAs.

C. *Bilateral Ties with Peer DIAs*
The PDIC maintains bilateral ties on cross-border issues with its peer DIAs including the Deposit Insurance Corporation of Japan (DICJ), the United States Federal Deposit Insurance Corporation (FDIC), and the Perbadanan Insurans Deposit Malaysia (PIDM). The PDIC is currently in discussion with other DIAs for the establishment of a cooperation agreement on cross-border issues and other activities that redound to more effective deposit insurance systems of both DIAs.

Category 3: Improvements in the Deposit Insurance System
This category gives recognition to the DIO that has implemented the most significant improvements to its deposit insurance system, either to make it more efficient, to enhance its mandate and powers, or to comply with international best practices.

This Category required the DIO to implement changes in its IT infrastructure, processes and/or programs to facilitate deposit insurance activities. The DIO should also have implemented contingency planning programs and/or carried out bank resolution simulation exercises. The presence of legal reforms that extended or enhanced the DIO's mandate or powers as well as significant improvements to its funding system were also required under this category.

The active pursuit of a public awareness campaign aimed at educating the public on the scope and limitations of deposit insurance is also a criterion under Category 3.

From October 2010 to October 2013, PDIC adopted enhancements in its processes and systems covering funding system, payout operations and exercise of oversight functions. The Corporation has also initiated legal reforms to extend or

PDIC President Valentin A. Araneta with members of the PDIC IADI-Counterpart Assessment Team (ICAT) and the IADI External Assessors Team.

enhance its mandate and powers. Lastly, PDIC has carried out clustered public awareness campaigns providing critical information about deposit insurance to its various stakeholders.

Other PDIC initiatives that contributed to the criteria are as follows:

A. *Implementation of the Insurance Claims System*
The PDIC integrated the One Claims System (OCS) and Register Generation System (RGS) to form the Insurance Claims System (ICS). The ICS eliminated the manual intervention in the old system and reduced processing time for the reimbursement of valid deposit insurance claims.

B. *Increase in the Ceiling for the Waiver to File Deposit Insurance Claims*
To provide prompt relief to depositors of closed banks, the PDIC waived the requisite filing of claims and instituted the immediate payment of insured deposits with balances, starting at Php5,000 and below in 2010, which was later increased to Php10,000 in 2011 and to Php15,000 in 2012.

C. *Development of Stress-testing and Bank Failure Prediction Models*
The PDIC, with technical assistance from the World Bank under the FIRST Initiative, developed a stress-testing model (STM) for estimating the degree of risk in individual banks, groups of banks, and in the banking system; and a bank failure prediction model (BFPM) for use in bank simulation exercises other than liquidation. The BFPM enabled PDIC to identify banks which may become distressed or are on the verge of failure for better decision-making management.

D. *Continuous Public Awareness Campaigns*
The PDIC continuously conducted public awareness campaigns to provide the depositing public with the basic information on deposit insurance for their education, guidance and protection. PDIC's public awareness campaigns are carried out through various initiatives to address the need for information of its stakeholders, namely, the general public, depositors and creditors of closed banks, banks and bank associations, academic communities, media, co-regulators, other government agencies, PDIC management and employees. PDIC shares its public awareness programs and strategy with IADI member-institutions.

The recognition given by the IADI to the PDIC reflects on the Corporation's hard work and dedication to fulfill its public policy objectives of depositor protection and promotion of finacial stability. The succeeding sections report on the accomplishments of PDIC in the performance of its role as financial safety net player in the banking system in 2013.


PHILIPPINE DEPOSIT INSURANCE CORPORATION
1963
MEMBER: PDIC
MAXIMUM DEPOSIT INSURANCE
FOR EACH DEPOSITOR
P500,000

Protecting **Depositors**

The Deposit Insurance Organization (DIO) of the Year should have a legal framework and manuals to define the procedures and carry out the payment of insured deposits. The awardee should have experienced or participated in the resolution of a failed member institution. If the resolution mechanism is payout of insured deposits, it has been carried out in a proper manner and has a large range of payout methods for reimbursing depositors. (Criteria 1, 2 and 3 for Category on Banking Resolutions and Payouts to the DIO of the Year Award)

Committed to serve the depositing public, the PDIC continuously improves the procedures for claims settlement to make these at par with international best practices. Initiatives during the year focused on stepping up the systems and processes to settle depositors' claims at the shortest possible time and in the most efficient manner.

Claims Settlement Operations

PDIC claims settlement operations consist of 1) the immediate and automatic payment of valid deposit accounts with balances of up to Php15,000[3] thru postal money orders (PMOs) without the required filing of deposit insurance claim; 2) payment of valid claims for accounts with balances of more than Php15,000[4] at the designated bank sites during field operations claims settlement (FOCS); and 3) processing and settlement of residual claims at the Home Office through home office claims settlement (HOCS). Deposit insurance claims at the Home Office may be filed either personally or by mail.

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[3] *The PDIC Board approved the outright payment without the requisite filing of claims of deposit accounts with balances of up to Php50,000 from Php15,000 for banks closed starting December 5, 2013 through Board Resolution No. 2013-11-266 dated November 29, 2013.*

[4] *Ibid.*

Protecting **Depositors**

Depositors of a closed bank await their turn during PDIC's claims settlement operations.

Automatic payment of valid deposit accounts

Depositors with complete mailing address in the bank records or have updated their addresses through the Mailing Address Update Form (MAUF) distributed during the Depositors-Borrowers Forum, and who do not have outstanding obligations with the closed bank are eligible for immediate and automatic payment. Under this scheme, payment is made via PMOs sent by mail within 18 days from bank takeover. In 2013, sending of PMOs took an average of only 11 days. PMOs may be encashed either with local postal offices or with any branch of the Land Bank of the Philippines. The automatic payment scheme is adopted to expedite payment of deposit insurance to small depositors with least disruption to their lives.

The secure and faster transmission of PMO and checks to depositors is made possible through the postal offices managed by the Philippine Postal Corporation (Philpost) nationwide and courier delivery services. The PDIC and Philpost further agreed on the delivery, within five days, of PMOs and checks even to the remote barangays and provinces. This initiative provides maximum convenience to the depositors of closed banks as they do not need to proceed to the site of the claims settlement operations (CSO). It also allows them immediate access to their deposit insurance.

Field operations claims settlement (FOCS)

Other closed bank depositors are required to file deposit insurance claims. These include those with balances of more than Php15,000[5], those with obligations to the closed bank regardless of amount of deposit and those who have no addresses in bank records. These claims are serviced during the Field Operations Claims Settlement (FOCS) conducted onsite. During FOCS, claims are filed, received, processed, and if found to be valid, are paid onsite. FOCS is deemed convenient to depositors as the payout is conducted in most cases at the closed bank's premises or at a designated site accessible to the depositors. The payout operations during FOCS are conducted by a Project Management Team (PMT) led by a Project Leader. The average processing time for claiming deposit insurance is eight to 10 minutes from receipt of his claim. The PDIC continues to review its procedures to further hasten the turnaround time. Completion of FOCS depends on the number of deposit accounts as well as the number of banking units or branches of a closed bank.

Home office claims settlement (HOCS)

After the completion of FOCS, depositors who were not able to file their deposit insurance claims are serviced at the PDIC Home Office through HOCS. Deposit insurance claims may be filed personally or by mail. Claims are

[5] *Ibid.*

The PDIC aims to promptly release payment for valid insured deposits to provide immediate relief to closed banks' depositors.

processed at the PDIC Office. Depositors are paid either at the PDIC Office or are sent Notice of Payment via registered mail. Depositors with document deficiencies may also complete their submissions at the Home Office. Closed bank depositors have two years from date of bank closure to file their deposit insurance claims. After the prescriptive date, the PDIC shall no longer accept deposit insurance claims and the depositor may file the claim with the PDIC as Receiver and this becomes a claim against closed bank's assets, if any.

As of end 2013, there are 31,217 deposit acounts in 18 closed banks representing 34% of the total estimated insured deposit accounts of 90,973 that have yet to file claims for deposit insurance.

Deposit Insurance Payments

Insured deposit claims paid during the year amounted to Php3.6 billion involving 71,377 accounts. Claims for banks closed in 2013 amounted to Php2.3 billion representing 56,144 accounts. The balance of about Php1.2 billion comprising 15,233 accounts were for deposit insurance claims for banks closed in 2012 and prior years.

As of end 2013, PDIC has paid Php61.2 billion in deposit insurance claims for 2.3 million accounts.

For all the 18 banks ordered closed by the Monetary Board in 2013, 100% of the valid deposit insurance claims were paid/settled ahead of the target turnaround time from takeover of the bank.

Type of Closed Bank	No. of Banks	Turnaround Time from Bank Takeover Date (no. of days)		Favorable Variance
		Standard	Actual Average	
With account balances of ≤ Php15,000 Banks with ≤ 20 branches	17	18	10	8
Multi-unit bank with conditions [6]	1	30	21	9
With account balances of > Php15,000 Banks with ≤ 20 branches	17	30	20	10
Multi-unit bank with conditions [7]	1	70	60	10

A major challenge encountered during the year was the claims settlement operations for Cooperative Rural Bank of Bulacan, Inc. (CRBBI)[8], a rural bank with 18 banking units with 42,798 insured deposit accounts amounting to Php1.6 billion as of closure date.

The bank's large volume of accounts and number of banking units were further complicated by the existence

[6] *Multi-unit bank should meet all of the following conditions:*
a) > 25,000 accounts; and
b) < 50% of accounts qualify for waived filing; and
c) > 70% of accounts, net of those waived for filing, are high risk accounts.

[7] *Ibid.*

[8] *CRBBI was placed under receivership in May 2013.*

PHILIPPINE DEPOSIT INSURANCE CORPORATION

CLAIMS SETTLEMENT OPERATIONS IN CLOSED BANKS

As of December 31, 2013

	Bank Name	Banking Units	Takeover Date	Start of Payout	DEPOSIT LIABILITIES		ESTIMATED INSURED DEPOSITS (EID)		CLAIMS FILED		INSURED DEPOSITS PAID (IDP)					
											WITHOUT FILED CLAIMS [9]		WITH FILED CLAIMS		Total IDP	
					Accounts	Amount	Accounts	Amount	Accounts	Amount	Accounts	Amount	Accounts	Amount	Accounts	Amount
Banks started CSO prior to 2013		**1,807**			**6,703,684**	**108,385,877,968.35**	**3,048,107**	**61,711,303,049.48**	**1,956,275**	**83,209,357,395.42**	**335,877**	**425,262,263.87**	**1,911,695**	**58,458,251,391.08**	**2,247,572**	**58,883,513,654.95**
Banks started CSO in 2013		**51**			**92,229**	**3,693,132,322.15**	**92,135**	**3,042,358,207.08**	**17,468**	**3,097,597,140.48**	**43,403**	**74,361,424.54**	**13,854**	**2,242,930,554.15**	**57,257**	**2,317,291,978.69**
1	Rural Bank of Bangar (La Union), Inc.	1	12/20/12	01/15/13	1,162	19,125,513.49	1,162	19,121,371.02	253	15,197,910.17	862	2,643,971.19	251	14,971,899.42	1,113	17,615,870.61
2	Capitol City Bank, Inc. A Rural Bank	4	01/24/13	02/08/13	6,596	339,732,908.82	6,526	286,694,343.12	1,003	293,599,785.30	5,172	4,954,009.13	876	254,661,807.47	6,048	259,615,816.60
3	Rural Bank of Gainza (Camarines Sur), Inc.	1	01/31/13	02/07/13	559	22,945,726.35	559	22,890,190.60	144	22,390,740.89	406	515,871.07	139	22,335,205.14	545	22,851,076.21
4	Rural Bank of Majayjay (Laguna), Inc.	3	02/08/13	02/19/13	7,068	145,830,576.02	7,067	139,629,238.93	1,448	131,986,826.52	4,668	8,755,478.05	1,291	125,117,795.85	5,959	133,873,273.90
5	Rural Bank of Buenavista (Agusan Del Norte), Inc.	2	03/04/13	03/18/13	2,605	45,074,321.87	2,605	38,126,193.27	641	39,182,723.72	1,222	3,341,917.02	424	32,066,986.55	1,646	35,408,903.57
6	La Consolacion Rural Bank (Laguna), Inc.	1	03/15/13	03/20/13	359	37,256,961.84	356	34,856,650.17	120	33,846,731.05	163	307,685.51	110	32,932,203.60	273	33,239,889.11
7	Rural Bank of Kinogitan	1	03/27/13	04/08/13	1,428	15,743,026.81	1,428	15,390,540.17	142	13,907,513.97	789	911,780.67	96	13,527,958.95	885	14,439,739.62
8	Cooperative Rural Bank of Bulacan, Inc.	18	05/23/13	06/14/13	43,125	2,065,079,621.54	43,125	1,661,510,124.42	7,524	1,690,682,294.14	11,193	14,506,397.05	5,190	1,050,569,359.49	16,383	1,065,075,756.54
9	Rural Bank of Naval (Leyte), Inc.	2	05/30/13	06/14/13	2,850	133,542,938.44	2,830	65,728,699.53	908	123,964,448.81	1,399	4,484,973.33	634	55,322,254.98	2,033	59,807,228.31
10	Rural Bank of Borongan, Inc.	1	06/17/13	06/25/13	340	15,425,991.57	340	14,214,457.96	119	12,149,350.42	148	623,126.27	111	10,851,517.09	259	11,474,643.36
11	RB San Fernando (Cebu), Inc.	1	07/05/13	07/12/13	3,280	88,147,264.69	3,280	79,376,415.24	772	76,217,814.42	2,323	4,451,831.37	739	68,092,829.69	3,062	72,544,661.06
12	Quezon Traders RB Candelaria, Inc.	1	07/12/13	07/18/13	547	45,800,877.54	547	44,516,796.22	144	38,874,924.22	358	562,160.21	119	30,406,840.89	477	30,969,001.10
13	Rural Bank of San Jose Del Monte, Inc.	4	08/02/13	08/15/13	3,915	362,803,913.66	3,915	320,393,534.36	1,544	335,532,170.90	2,265	7,901,875.60	1,509	299,710,337.16	3,774	307,612,212.76
14	Rural Bank of La Trinidad (Benguet), Inc.	2	08/22/13	09/03/13	3,865	88,099,360.94	3,865	70,331,270.62	679	78,057,411.40	2,640	4,622,727.57	570	57,634,424.32	3,210	62,257,151.89
15	Rural Bank of Sto. Tomas (DDN), Inc.	3	09/16/13	09/30/13	7,832	64,603,287.88	7,832	55,077,167.39	680	47,310,892.19	6,210	6,707,276.58	596	42,819,537.20	6,806	49,526,813.78
16	Rural Bank of Hagonoy (DDS), Inc.	1	09/20/13	10/02/13	1,077	32,501,997.99	1,077	12,116,716.18	148	7,783,108.41	458	667,267.00	148	7,722,877.26	606	8,390,144.26
17	Rural Bank of Catubig (Northern Samar), Inc.	1	11/11/13	11/25/13	520	9,057,822.25	520	8,802,641.00	132	6,024,011.73	216	438,622.42	99	4,861,413.32	315	5,300,035.74
18	Rural Bank of Alaminos (Laguna), Inc.	3	11/15/13	11/25/13	2,794	117,771,168.55	2,794	111,136,730.01	836	96,977,503.75	1,512	4,416,825.99	814	90,307,346.35	2,326	94,724,172.34
19	Sarangani Rural Bank, Inc.	1	12/05/13	12/13/13	2,307	44,589,041.90	2,307	42,445,126.87	231	33,910,978.47	1,399	3,547,628.51	138	29,017,959.42	1,537	32,565,587.93
	GRAND TOTAL	**1,858**			**6,795,913**	**112,079,010,290.49**	**3,140,242**	**64,753,661,256.56**	**1,973,743**	**86,306,954,535.90**	**379,280**	**499,623,688.41**	**1,925,549**	**60,701,181,945.23**	**2,304,829**	**61,200,805,633.64**

[9] *Includes paid accounts where filing of claim is waived for valid deposit balances of up to*
a) Php5,000 for banks closed from January 1, 2008 to March 16, 2011;
b) Php10,000 for banks closed from March 17, 2011 to November 22, 2012 and
c) Php15,000 for banks closed from November 23, 2012 to December 4, 2013
d) Php50,000 for banks closed from December 5, 2013 onwards

During the conduct of Depositors-Borrowers Forum, depositors are informed of the requirements and procedures in filing deposit insurance claims, and how borrowers can pay their obligations to the closed bank.

of several deposit systems, varied deposit products with different features and variations in recording of accounts. The microfinance operations of the bank which has its own systems of deposit and lending operations and record keeping put to the test the Corporation's responsiveness in adapting to the environment. Such challenges required more resources, reassessing and adapting changes in systems and procedures as necessary. The payment of deposit insurance claims in CRBBI likewise served as an acid test to the effectiveness and efficiency of the Project Management Approach to CSO. (*See special story on page 32).*

Institutionalization of Project Management Approach to Claims Settlement Operations On Field

The Project Management Team (PMT) Approach to Claims Settlement Operations (CSO) integrates significant CSO activities under the management of a Project Team, thereby cutting across functional areas. This approach was initially adopted in December 2012 and institutionalized in 2013. The PMT is headed by at least a Vice President to allow for quick decision-making on the ground. The system increased processing productivity and shortened turnaround time in claims settlement, benefitting depositors in closed banks.

Under the CSO PMT Approach, the turnaround time for FOCS has been significantly reduced to 22 days, or an efficiency improvement rate of 67.0% compared to the turnaround time in 2012 of 66 days. Turnaround time for CSO refers to the period from takeover of the bank to start of CSO. The processing time per claim consistently improved. The average processing time per claim stood at eight minutes during the year, an efficiency improvement rate of 61.0% compared with 21 minutes in 2012.

Increase in the Amount of Account Balance for Outright Payment Without Need for Filing Claims from over Php15,000 to Php50,000 and Threshold Amount in the Identification of High Risk Accounts

In line with the Corporation's objective to facilitate the expeditious settlement of deposit insurance claims, the PDIC Board approved on November 29, 2013 the increase in the ceiling for accounts not required to file claims from Php15,000 to Php50,000. This is aimed at speeding up the claims settlement process for the benefit of depositors. Corollarily, the threshold amount for accounts that are subject to initial evaluation/examination of deposit transactions was also increased from over Php15,000 to over Php50,000.

These changes were adopted to expeditiously settle claims via offsite means and at the same time, allow more efficient onsite claims settlement operations, as the number of depositors who need to file claims was correspondingly reduced.

Protecting **Depositors**

During the audit conducted in April 2013, officials from the Certification International Philippines, Inc. (CIPI) approved the re-certification of PDIC's Quality Management System (QMS) for Claims Settlement Operations after validating PDIC's compliance with the standards of ISO 9001:2008.

Adoption of a New Insurance Claims System

Another major CSO milestone in 2013 is the implementation of the new Insurance Claims System (ICS) that aims to increase efficiency in claims settlement *(see related story on page 52)*. ICS is an integrated automated system used in the streamlined functional activities for claims settlement. It integrated the Register Generation System (RGS) and the One Claim System. The ICS covers the preparation of the Masterlist of Outstanding Deposit Liabilities (MODL); matching of offsettable items versus deposit accounts; and examination and generation of the Register of Estimated Insured Deposits and payment of the deposit insurance claims.

Indicator	2013 (PMT Approach)	2012 (Traditional Approach)	Efficiency Improvement Rate (in %)
CSO Turnaround Time	22 days	66 days	67
Average Processing Time per Claim	8 minutes	21 minutes	61

ISO 9001:2008 Re-certification of the Quality Management System for CSO

The PDIC successfully passed the reassessment of its Quality Management System (QMS) for Claims Settlement Operations conducted on April 17-18, 2013 by the Certification International Philippines, Inc. (CIPI), a third party certifying body accredited by the Bureau of Product Standards in the Philippines. The re-certification was granted to PDIC after validation of its compliance with the standards of ISO 9001:2008 and its continuing efforts to improve its CSO processes, systems and procedures. The ISO 9001:2008 recertification was officially issued to PDIC on May 27, 2013.

The renewal of PDIC's ISO 9001:2008 Certification is an achievement that supports the corporate vision of being a world-class organization in depositor protection. It is also a testament to PDIC's unwavering commitment to serve and meet the needs and expectations of its stakeholders.

Provision of Public Assistance

PDIC made public assistance services more accessible by employing various modes of communication and improving infrastructure and availability of services to its clients.

The Public Assistance Helpdesk is tasked to promptly respond to queries made during clients' personal visits

In its Home Office, the PDIC ensured that its Public Assistance Department (PAD) as well as the Public Assistance Helpdesk are adequately manned. The PAD is tasked to promptly respond to and act on queries/ complaints received through the call center, emails and letters.

Access to PDIC was likewise expanded with the launching of the PDIC-Toll Free line, 1-800-1-888-7342 or 1-800-1-888-PDIC, in April 2013. With the toll-free line, depositors outside Metro Manila may now communicate with the Corporation as well as follow up their claims at their convenience during office hours of business days.
The PDIC received and acted upon a total of 21,689 phone calls during the year from clients within and outside Metro Manila. Of this total, 2,278 were calls coursed through the toll-free lines.

PDIC CONTACT DETAILS

Public Assistance Hotlines
(02) 841-4630 or (02) 841-4631

Toll free at 1-800-1-888-7342 or 1-800-1-888-PDIC
(for depositors outside Metro Manila)`

E-mail at PAD@pdic.gov.ph

Queries and follow-ups from 4,476 emails/letters and 10,790 personal visits to the Public Assistance Helpdesk were received during the year. Matters that needed to be referred to concerned PDIC department/s or other government unit/s were also duly addressed.

The improvement in the CSO processes, systems and procedures resulted in a decrease in the volume of queries and complaints received in 2013 compared to 2012, as shown in the table below:

Queries/Complaints received thru	Number of queries/ complaints received		% reduction
	2013	2012	
Call Center	21,689	60,429	64
Emails/Letters	4,476	9,981	55
Helpdesk	10,790	15,469	30
TOTAL	**36,955**	**85,879**	**57**

Alongside enhancements to the CSO systems, the development of an automated Public Assistance Monitoring facility was also initiated. This is to help ensure the effective monitoring of queries/complaints received and actions taken.

Meanwhile, in support of takeover operations of closed banks, the PDIC conducted a total of 43 Depositors-Borrowers Forums for all 18 banks ordered closed during the year. Collectively, these 18 closed banks had 50 banking units located in 15 provinces throughout the country. The Depositors-Borrowers Forums were conducted within seven days from date of bank takeover to explain the requirements and procedures for filing of deposit insurance claims to expedite the payment process as well as explain the procedures for payment of loans with closed banks.

Given the diverse dialects across the Philippines, efforts to translate to the local dialects various information materials during bank takeover and claims settlement operations were initiated during the year. Information materials that had been translated included Notice to the Public on the Schedule of Depositors-Borrowers Forum and Claims Settlement Operations and the List of Basic Requirements and Procedures for the filing of claims for insured deposits. These announcements are now available in seven dialects: *Cebuano, Bicolano, Hiligaynon, Ilonggo, Ilocano, Waray and Pangasinense/Pangalatok*.

Results of Service Quality Feedback Survey

The PDIC conducts a Survey on Service Quality Feedback on its Home Office Claims Settlement Operations to determine client satisfaction in three main areas of service – Systems/Procedures, Facilities and Personnel. The results generated from the administration of the survey enable the PDIC to further improve its processes and procedures and determine areas for improvement. It also complies with the requirements of ISO 9001:2008.

The Survey Quality Feedback is administered to walk-in clients on a voluntary basis. During the year, a total of 1,343 depositors responded to the survey representing 14.6% of the total walk-in clients for the year. Results of the survey are reported to Management on a monthly basis.

The average client satisfaction level for 2013 reached 99.3%, 2.5% higher than the previous year's average of 96.8%. The average rating for the 12-month period during the year exceeded the 90% target set for the year. A satisfaction rating of 100% was posted for seven months during the survey period.

The consolidation of the survey results is conducted by a unit independent from deposit insurance operations to ensure objectivity and independence. The results are also validated by the Corporation's Internal Audit Group.

To widen the scope of respondents and to set a baseline for client satisfaction, the methodologies on the conduct of survey are being evaluated for possible enhancement and are targeted for implementation in 2014. The administration of the same survey to clients being serviced during FOCS is also being evaluated for implementation next year.

COOPERATIVE RURAL BANK OF BULACAN, INC. (CRBBI)

The Cooperative Rural Bank of Bulacan, Inc. (CRBBI) is an 18-unit rural bank that was ordered closed by the Monetary Board per MB Resolution No. 823.A dated May 23, 2013. PDIC took over the bank the following day, May 24, 2013.

The closure of this 18-branch network, considered the biggest rural bank ordered closed in the past 15 years, posed logistical challenges. Though its branches were mainly concentrated in Bulacan province with a branch in Makati City and few branches in several towns in Pangasinan, PDIC, both as Deposit Insurer and Receiver, hurdled the challenge of reviewing the bank's segmented accounting system and missing records. Because the bank was found to have maintained six accounting books in the Head Office alone, while two branches maintained two books each, more time was required to determine its true financial condition. Moreover, there was a high incidence of missing records which resulted in difficulties not only in loan collection but also in expediting deposit insurance payment. The bank also engaged in microfinance lending operations where almost 46.0% of the bank's 35,185 depositors were also borrowers. The team had to contend with irate borrowers of the different microfinance products of the bank, and depositors who were not able to present documents to substantiate their deposits and loan payments as these were in the hands of the microfinance group leaders.

Examination revealed that CRBBI had engaged in many distinct operating and record-keeping bank practices which required PDIC to adopt more extensive and comprehensive methods and procedures to complete the claims settlement operations (CSO). Some of these distinct practices that PDIC hurdled in CRBBI's CSO included:

a. Maintenance of nine different systems/databases for 10 deposit products and eight systems/databases for 13 loan products;

b. A passbook containing several deposit accounts and/or depositors;

c. Assignment of new account number for every deposit/withdrawal or roll-over transactions; and

The closure and claims settlement operations of the Cooperative Rural Bank of Bulacan, Inc. posed logistical challenges to the PDIC not only because of its 18-branch network but also due to its non-standard operating and record-keeping practices.

d. Existence of deposits maintained by unregistered groups/organizations whereby there is no clear agreement on the share allocation of depositors.

CRBBI had estimated insured deposits amounting to Php1.7 billion consisting of 43,125 accounts as of yearend. The distinct deposit and record-keeping practices of the bank as well as the sheer volume of its deposits posed formidable challenges. Coupled with this large volume of accounts, the Project Management Team also had to mobilize manpower and ensure availability of logistical and other resource requirements for speedy and efficient payout operations.

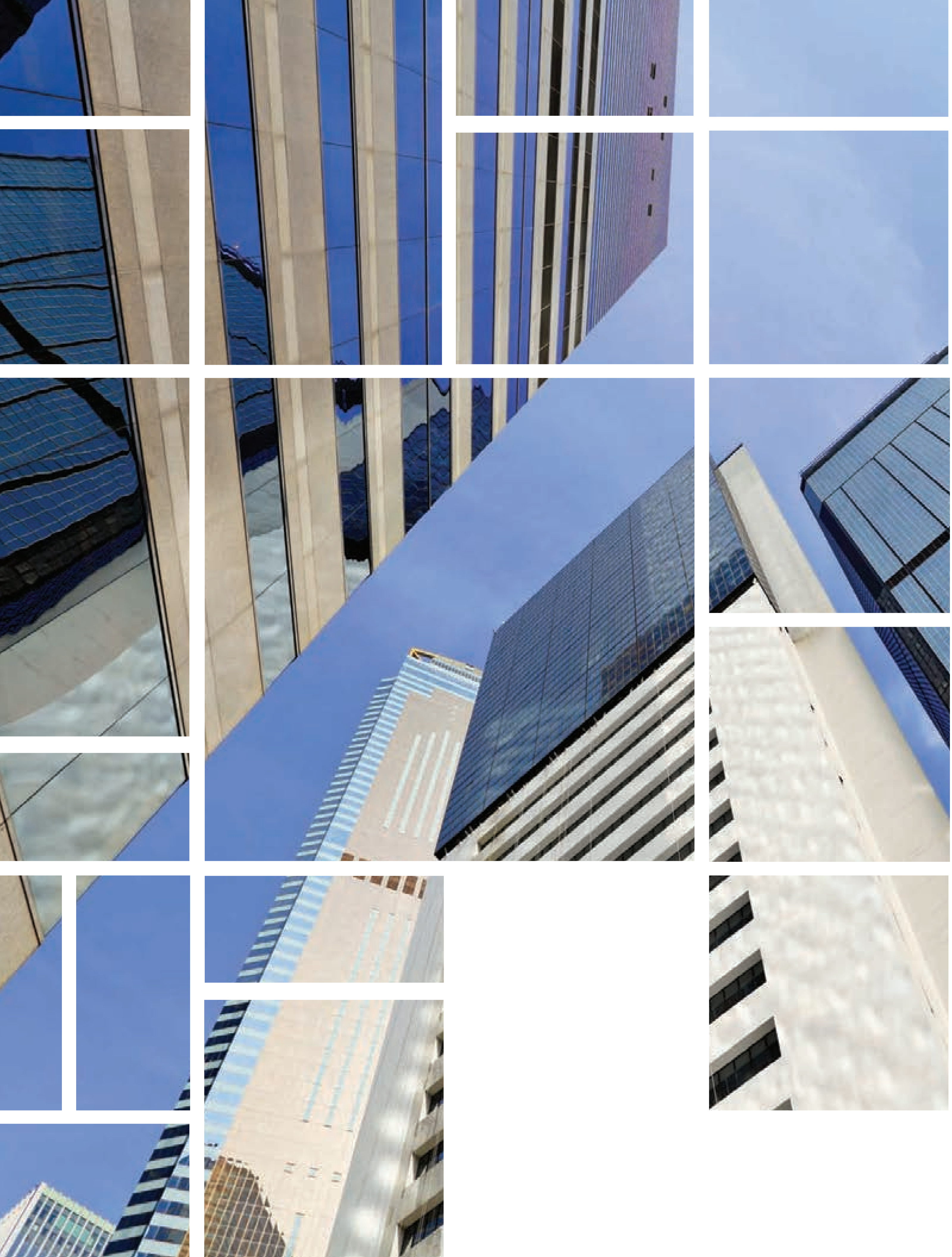
Range of deposit balance	Accounts	Amount (in million pesos)
Php15,000 and below	11,215	14.57
Above Php15,000	31,910	1,646.94
Total	**43,125**	**1,661.51**

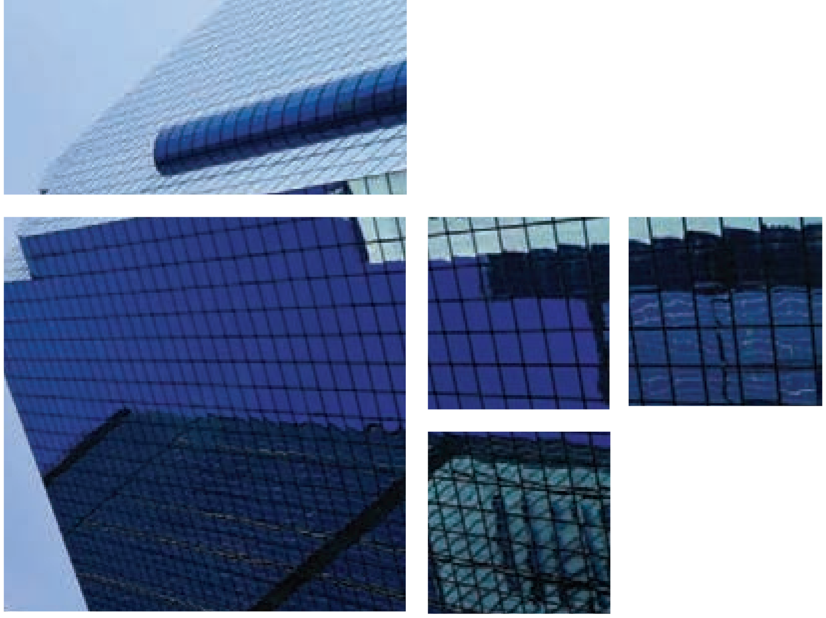
A Project Management Team with two Core Teams – one for the Head Office and another for the branches handled the CRBBI deposit insurance operations. The two Core Teams were organized to address the complexities of CRBBI's transactions, systems and procedures that differed for clusters of branches thereby requiring closer supervision, spontaneity in decision-making and adoption of strategy responsive to operational challenges. This functional set-up is aimed at ensuring the consistency of approaches, processes and procedures for claims settlement operations across CRBBI's 18 banking units.

CRBBI is also the first multi-unit bank of such magnitude that tested the maximum capabilities of the new Insurance Claims System in handling voluminous deposit accounts and distinct deposit and loan practices.

Despite these challenges, the CSO for CRBBI was completed within the turnaround time of 60 days from takeover date. The PDIC has paid almost Php1.1 billion or 64.0% of the total estimated insured deposit amount as of yearend.

The effective management strategy and commitment to service of the PDIC workforce that required long hours, extraordinary diligence and patience contributed to the success of the most challenging claims settlement operations for the year.

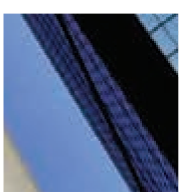




Promoting **Financial Stability**

The Deposit Insurance Organization (DIO) of the Year should have a legal framework and procedural manuals that ensure implementation of an effective and timely failure resolution for the orderly liquidation of the bank. It should have experienced or participated in the resolution of a failed member institution.

In addition, the DIO has either initiated or concluded a recovery process for the assets of a failed member institution. (Criteria 1, 2, 3 and 5 for Category on Banking Resolutions and Payouts to the DIO of the Year Award)



New and continuing measures and initiatives to maintain financial stability were vigorously pursued in 2013. These included the enhancement of PDIC's bank monitoring and surveillance system through the adoption of new local and international financial reporting standards as well as the implementation of financial modeling tools for effective deposit insurance systems.

The PDIC's supervisory and oversight functions were strengthened further through the adoption of new examination procedures. New examination guidelines were issued and the existing agreement with the Bangko Sentral ng Pilipinas (BSP) was modified accordingly. Moreover, the existing bank strengthening initiatives with partner-agencies under the joint PDIC and BSP-sponsored Strengthening Program for Rural Banks (SPRB); and among the PDIC, BSP and Land Bank of the Philippines (LBP) for the Strengthening Program for Cooperative Banks (SPCB) were enhanced in response to the request of industry players for the timely intervention and resolution of small banks particularly those affected by natural disasters. The amendments to both the SPRB and SPCB Programs were a response to the plight of rural and cooperative banks that were affected by natural disasters during the year.

Promoting **Financial Stability**

PDIC is also the statutory receiver and liquidator of all closed banks. 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' depositors and creditors. If the Monetary Board orders the liquidation of a bank that has been placed under receivership, closed banks' assets are disposed and creditors' claims against the bank are settled according to the preference and concurrence of credits as provided by the Civil Code of the Philippines.

Regulatory Issuances and Bulletins

The PDIC issues rules and regulations on deposit insurance and bank operations through Regulatory Issuances and Bulletins. These are aimed at promoting good governance and market discipline as well as further strengthening depositor protection. The PDIC continued to monitor adherence to and compliance of member-banks with existing Regulatory Issuances.

The PDIC started drafting new Regulatory Issuances on PDIC-issued checks and on indemnity protection. Existing ones were likewise reviewed such as the Regulatory Issuances on record-keeping of deposits, assessment of member-banks, and certification of compliance on computerized records of bank deposits.

Bank Monitoring and Surveillance

Efficient management of bank information is a critical component for effective bank monitoring and surveillance. The PDIC's Bank Performance Monitoring System (BPMS) serves as database for all reports submitted by banks on a quarterly and semestral basis. The BPMS was enhanced during the year to allow easy uploading of electronically submitted bank reports and immediate validation and processing of data. Moreover, the BPMS was improved to align its reporting structures to new local and international financial reporting standards. The financial reporting standards include the International Accounting Standards and the Risk Based Capital Adequacy frameworks covering Basel II for commercial and their subsidiary banks, and Basel 1.5 for stand-alone thrift and rural banks. The BPMS was further supplemented by a reporting tool that facilitates the timely generation of individual and aggregate bank statistics that are used in assessing bank condition and performance and other important trends such as deposit movements at the national, regional, provincial and municipal levels.

PDIC OFFSITE BANK RATING MODEL (OBRM)

PDIC's Offsite Bank Rating Model (OBRM) is among the Corporation's early warning system tools derived from its BPMS and through the Business Intelligence (BI) reporting tool. The system generates quarterly CAMELS[10] ratings of individual member banks from banks' financial statements using prudential ratios and indicators, BSP examination findings, and other market information. The results of the model serve as PDIC's preliminary screen for assessing banks' performance and condition.

The OBRM was first implemented in June 2002 and has been continuously enhanced to consider new and internationally-accepted risk assessment measures and methodologies and align the prudential ratios with those used by the BSP.

Under the OBRM framework, member banks are rated on a scale of 1 to 5, with 1 indicative of the worst and 5 indicative of the best in terms of operating performance and condition. Components or aspects of bank performance and condition that are evaluated are capital adequacy, asset quality, management/governance, earnings, liquidity and sensitivity to market indicators or CAMELS. Commonly applied ratios representing these components as well as other factors based on qualitative information are applied to derive the score of each component. Accordingly, the composite rating of a bank is computed by adding up the resulting scores of each component.

Since some CAMELS components provide earlier detection of deterioration of banking condition, weights are assigned to each component in deriving the component score. Accordingly, higher weights are applied on asset quality and capital adequacy followed by earnings, liquidity and management. The management component was introduced in the framework in 2010 which is largely based on latest onsite examination findings, compliance with PDIC regulatory issuances and status of BSP's prompt corrective action (PCA), when applicable.

[10] CAMELS refers to Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, and Sensitivity to Market Risk.

Finance Secretary and PDIC Board Chairman Cesar V. Purisima and PDIC President Valentin A. Araneta met with World Bank consultants Mr. Murat Arslaner and Dr. Steven A. Seelig to discuss the Financial Modeling Project under the technical assistance granted by the World Bank/FIRST Initiative to PDIC to develop stress testing and failure prediction models to enhance PDIC's bank monitoring and surveillance functions.

Enhanced Financial Models for Stress Testing and Failure Prediction

To further enhance PDIC's ability to promptly monitor status of banks through offsite surveillance, the World Bank, with funding from the Financial Sector Reform and Strengthening (FIRST) Initiative, granted the Corporation technical assistance for its project on Financial Modeling for Bank Stress Testing and Failure Prediction.

The Stress Testing Model (STM) is an analytical tool for estimating the degree of risk in individual banks, group of banks, and for the banking system. It is a forecasting tool that simulates the effects of internal and external shocks upon a bank's risk profile, solvency and profitability.

The Bank Failure Prediction Model (BFPM) is the second component of the financial modeling project. The model further improves PDIC's analytical tools on risk profiling and failure prediction based on different parameters.

World Bank consultants for STM and BFPM, Mr. Murat Arslaner and Mr. John O'Keefe, respectively, worked hand-in-hand with the PDIC Project Support Groups (PSGs) during their missions in PDIC. Training workshops for both models were conducted for PDIC personnel, and an overview was shared with participants and delegates from the IADI member-countries through a technical briefing on "Financial Modeling Workshop on Risk Management", held on June 19, 2013 for IADI members.

The STM and BFPM were officially turned over to PDIC by the World Bank in June and September 2013, respectively. Automation of bank data uploading from the BPMS into the STM was completed in November 2013, allowing the efficient transfer of bank data into the STM. Likewise, the validation and pilot testing of the STM was completed for all 36 commercial banks. Since the turnover of the BFPM to PDIC, it has been used in PDIC's bank monitoring and surveillance procedures.

Both financial models have strengthened PDIC's analytical capability to manage and monitor the risks to the Deposit Insurance Fund (DIF), the funding source for payment of claims for insured deposits in the event of bank closures and grant of financial assistance to banks in danger of closing.

Bank Examination

The results of offsite bank monitoring and surveillance are inputs to the preparation of examination plan and prioritization schedule. Offsite financial analysis and onsite examination of individual banks are conducted by the PDIC, to identify areas of weaknesses of banks and assess the risks they pose to depositors, to the DIF and to the banking system.

During the year, the PDIC completed 83 offsite financial analysis reports which included closely-monitored banks, as well as other banks with significant financial and governance issues, and whose failures would adversely affect the DIF.

Promoting **Financial Stability**

PDIC's bank surveillance and examination capabilities were enhanced through the financial modeling projects developed under a World Bank technical assistance grant. World Bank Country Director for the Philippines Motoo Konishi turns over the customized failure prediction model to PDIC Executive Vice President Imelda S. Singzon (Examination and Resolution Sector) at the World Bank office in September 2013.

The PDIC likewise conducted onsite examinations, either independently or jointly with the BSP, of 60 banks with aggregate estimated insured deposits of Php83.6 billion. Among the onsite examinations conducted, two were special bank examinations, in line with the newly established Standard Operating Guidelines and Instructions (SOGI) on Special Bank Examination approved in April 2013. The SOGI on Special Bank Examination 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, as provided under Section 8 of the PDIC Charter.

Recognizing the need to further enhance the capability and effectiveness of the Corporation in the conduct of bank examinations, revisions to fine-tune the existing SOGI on Bank Examination commenced in the second half of 2013 and is targeted to be completed by next year. The said revision also intends to consolidate the SOGI on Special Bank Examination.

To ensure the application of harmonized standards and procedures for consistency in the conduct of bank examinations, the PDIC and BSP executed a Memorandum of Agreement (MOA) on Bank Examination in 2005. The MOA which established the overall framework for examination of banks by PDIC and BSP was amended on August 27, 2013. The Amended MOA on Examination now reflects the 2009 changes to the PDIC Charter specifically the authority to conduct special examination if there is a threatened or impending bank closure, and to inquire into or examine deposit accounts if there are findings of unsafe and unsound banking practices.

Cooperation Among Financial Regulators

Financial Sector Forum

A memorandum of agreement among the PDIC, the BSP, the Securities and Exchange Commission (SEC), and the Insurance Commission (IC) to form the Financial Sector Forum (FSF) was signed in July 2004 in response to the need to institutionalize inter-agency coordination among the country's financial regulators. The FSF serves as a venue to bring forward efforts to enhance the financial system reform agenda, particularly in addressing harmonization and coordination of supervisory and regulatory methods and policies, reporting and information exchange and dissemination, and consumer protection and education. The initiative aims to align the Philippines with international practice to adopt a system-wide consolidated approach to supervision.

PDIC is represented in all three subcommittees of the FSF namely, the Subcommittee on Supervision Methodology and Regulatory Policy Coordination which handles matters pertaining to supervisory and regulatory policies and issues arising from bilateral agreements among the participating

The PDIC and BSP strengthened their oversight of banks through an amended Memorandum of Agreement that harmonized bank examination. PDIC President Valentin A. Araneta and BSP Governor Amando M. Tetangco, Jr. signed the agreement in August 2013.

agencies; the Subcommittee on Reporting, Information Exchange and Dissemination which is responsible for concerns on the harmonization of regulatory reporting requirements for financial institutions, database management, linkages, and related issues; and the Subcommittee on Consumer Protection and Education which is involved with the identification of unethical practices and illegal activities conducted in the offering or sale of financial products; development and dissemination of education programs for protection of financial consumers; and empowerment of consumers.

Financial Stability Coordination Council

Initiatives were undertaken to create the Financial Stability Coordination Council (FSCC). The FSCC is a voluntary inter-agency council whose key objective is to identify, manage and mitigate systemic risks, consistent with the overall prudential objective of financial stability. Comprising the FSCC are the Department of Finance (DOF), BSP, PDIC, SEC, and IC. The constitution of the Council is an affirmation of the collective resolve of financial regulators and safety net players to pursue financial stability as the norm for prudential policy.

As a collaborative effort, the Council is expected to execute its agreements through its member-agencies. The members of the Council are tasked to collaborate and coordinate to identify, manage, and address external and internal risks to financial stability to protect financial consumers and the economy. The formalization of the FSCC as a juridical entity will be patterned after the US Financial Stability Oversight Council.

During the year, FSCC member-agencies commenced the development of a joint position paper on the FSCC, its governance structure, functions and responsibilities as well as financial stability interconnectedness. The FSCC is envisioned to have a policy-making Executive Committee composed of the heads of the DOF, BSP, PDIC, SEC and IC, a Steering Committee tasked to design the strategic direction of the Council and five Working Groups (WGs) that will look into critical issues that may be a factor in generating systemic risks.

Executive Vice President Imelda S. Singzon (Examination and Resolution Sector) chairs the WG on Shadow Banking – Real Estate, with Vice President Shirley G. Felix (Examination Group II) as her alternate. The SEC will head the WG on Corporate Leverage while the DOF is set to lead the WG on Capital Market Reforms. The WGs on Shadow Banking Banking-Repos and Securities Lending; and Managing Capital Flows will be chaired by the BSP.

The memorandum of agreement institutionalizing the FSCC will be signed next year.

Promoting
Financial Stability

Resolution of Banks

The PDIC's mandate also allows the adoption of timely intervention and responsive resolution methods, consistent with Core Principles 15 and 16 of the Core Principles for Effective Deposit Insurance Systems, the internationally agreed set of principles developed by the International Association of Deposit Insurers (IADI). This includes the grant of financial assistance to an insured bank in danger of closing or to any corporation called a strategic third party investor (STPI) that is merging or consolidating (M&C) with or purchasing the assets and assuming the liabilities (P&A) of an insured bank in danger of closing. PDIC's consent also has to be obtained by banks for any M&C and P&A transaction whether with or without financial assistance pursuant to the PDIC Charter.

In the event of bank failure, the PDIC, as Statutory Receiver, takes over banks ordered closed by the Monetary Board. It conducts an inventory of the closed banks' assets and manages and preserves these for the benefit of creditors of the closed banks.

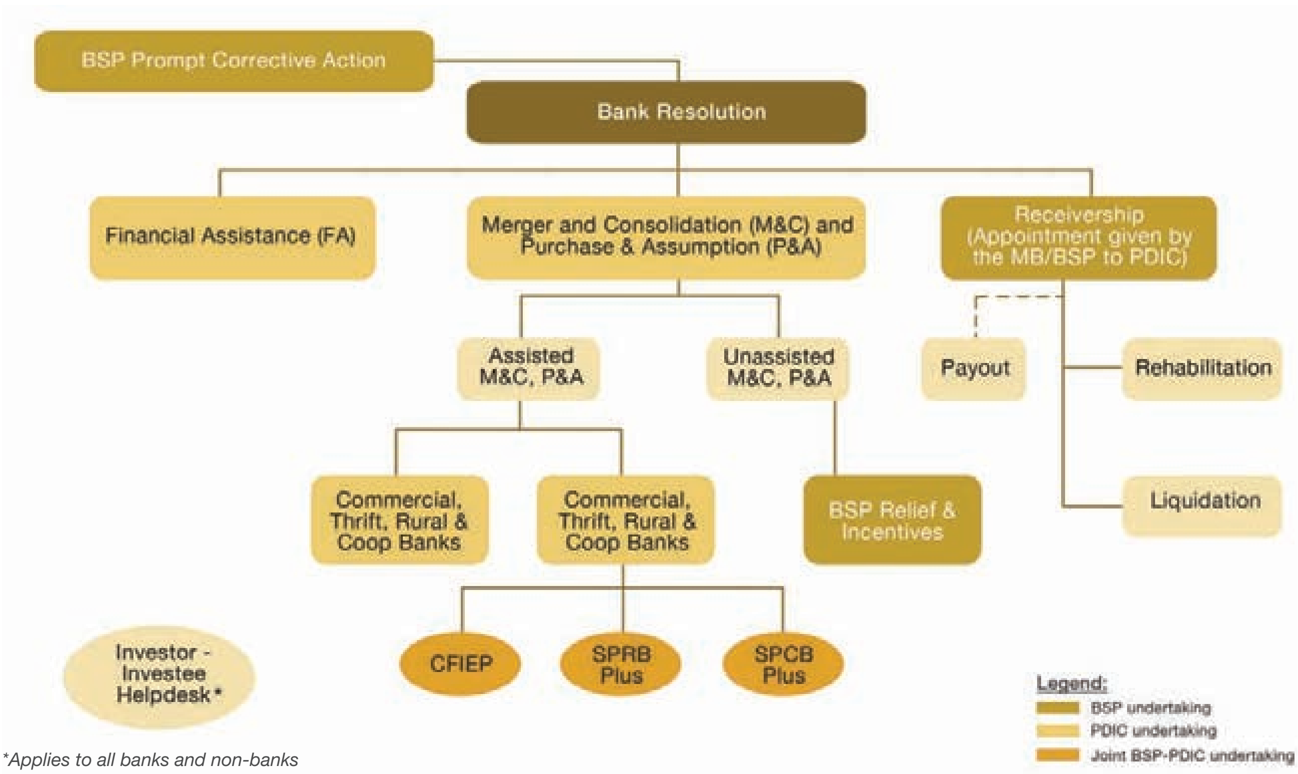
Grant of Financial Assistance

In 2013, in view of the generally improved financial condition of large banks, there was no resolution done for a local systemically important financial institution. In fact, financial assistance granted by PDIC prior to 2013 to two STPIs which acquired banks in danger of closing were pre-settled in the amount of Php3.0 billion.

Mergers and Consolidations; Purchase and Assumption

The Corporation granted consent to seven M&C transactions and one P&A transaction, which did not involve the grant of financial assistance. These transactions covered 14 banks with 1.5 million deposit accounts and Php170.3 billion deposits. These business moves are expected to result in economies of scale and scope, improved capitalization and enhanced risk management systems and corporate governance.

PDIC BANK RESOLUTION FRAMEWORK



*Applies to all banks and non-banks

The chart above shows a bird's eye view of the PDIC Bank Resolution Framework, which includes the various resolution tools available to the Corporation.

BANK STRENGTHENING INITIATIVES

To contribute to the timely intervention and resolution of small banks, the PDIC continued to enhance its programs and platforms to promote a stronger banking system via the Strengthening Program for Rural Banks (SPRB), a partnership with the BSP; and the Strengthening Program for Cooperative Banks (SPCB), in collaboration with the BSP and Land Bank of the Philippines (LBP).

PDIC supports the strengthening of the countryside sector because this is a way of promoting financial inclusion. Another bank strengthening initiative that enhanced the access of rural communities to financial services is the Countryside Financial Institutions Enhancement Program (CFIEP), which provides incentives to rural banks that will engage in the rehabilitation of an eligible rural bank. Meanwhile, PDIC's Investor Investee Helpdesk is a matchmaking facility for interested investors and investee banks that have registered in the program to find suitable partners for potential business combinations.

Strengthening Program for Rural Banks (SPRB) Plus

The SPRB was launched in August 2010 and was amended to SPRB Plus in 2012. It is a joint undertaking between the PDIC and BSP to encourage merger, consolidation and acquisition among rural banks. The program seeks to enhance the long-term profitability and viability of the rural banking system by strengthening and sustaining the financial condition of the resulting banks, enhancing technological know-how, upgrading the quality of governance and management and improving the delivery of financial services to rural communities. The SPRB includes the grant of financial incentives and regulatory relief to new bank partnerships to support its viability and prevent the closure of the bank. The PDIC primarily provides financial assistance equivalent to up to 50% of the required additional capital to bring the eligible bank's Risk-Based Capital Adequacy Ratio (RBCAR) to 10%. The BSP, on the other hand, provides a package of regulatory relief incentives for rural banks that will pursue corporate collaboration with other rural banks.

The SPRB was enhanced and named SPRB Plus, to include thrift banks among the eligible banks to be acquired in addition to rural banks; and universal banks, thrift banks and non-bank corporations as eligible strategic third party investors (STPI). The BSP, on its part, enhanced its regulatory incentive package, incorporating additional branching incentives on top of the regulatory reliefs already available under the original SPRB. This includes the waiver of licensing fees, new branch licensing, and expansion in restricted areas to contribute to 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.

Towards the last quarter of the year, SPRB Plus was further enhanced to heed the call of the Rural Bankers Association of the Philippines (RBAP) for additional financial and regulatory incentives, particularly for the rural banks located in areas affected by supertyphoon Yolanda. An eligible bank is now entitled to financial assistance of up to 100% of the required additional capital to bring the bank's RBCAR to 10% for as long as the eligible bank is included in the list covered by

BSP Circular 820[11] issued in December 2013. The PDIC financial assistance was also enhanced to be available in two forms, either a combination of equity and loan or the loan component only. The PDIC and BSP have likewise committed to increase the SPRB funding to an amount necessary to accommodate all applications until December 2014.

Since its launch in 2010, a total of 27 applications under the SPRB Plus involving 47 banks had been received by the PDIC. As of yearend, five of these applications have been approved both by PDIC and BSP and are now awaiting the release of financial assistance as soon as approved by the Securities and Exchange Commission. Two have been approved by PDIC and endorsed to BSP, while four were in the process of evaluation. The rest of the applications were either referred to the PDIC Investor-Investee Helpdesk, deferred/recalled or denied since they were not eligible.

Since the start of the SPRB in 2010, a total of 18 roadshows had been conducted nationwide to disseminate the salient features of the program to intended beneficiaries, in coordination with local banker's federations and the RBAP. The submission of applications under the SPRB Plus has been extended up to December 31, 2014.

Strengthening Program for Cooperative Banks (SPCB) Plus

The existing SPRB framework excludes cooperative banks in view of its different ownership structure. The Committee on Cooperative Development of the House of Representatives thus passed Resolution No. 107 in March 2011 calling the BSP jointly with PDIC and LBP to adopt a counterpart program for cooperative banks. Thus, the three agencies established the SPRB – Module II or the Strengthening Program for Cooperative Banks. This program is aimed at encouraging mergers, consolidations and acquisitions of cooperative banks by eligible STPIs.

Under this program, the PDIC and LBP will provide the capital support component by way of infusion of equity in the form of preferred shares that are convertible to common shares at the end of 10 years. The LBP will also grant credit facilities to enable the STPI to further support the cooperative bank's operations. The BSP, on the other hand, will provide regulatory relief to enable the surviving banks to expand operations through branching incentives similar to the incentives granted under the SPRB Plus. Through the SPCB Plus, surviving banks are expected to have an improved capital position with a networth of at least Php100 million and a minimum RBCAR of 15%. The PDIC financial assistance was also enhanced during the year to be made available in two forms, either a combination of equity and loan, or loan only, among other enhancements.

As of 2013, a total of six applications were received under the SPCB Plus involving 21 banks. Three consolidation proposals had been approved by PDIC since its launching, with one already approved by the BSP. The submission of application for the SPCB Plus has been extended up to July 31, 2014, while the submission of complete documentary requirements is up to September 17, 2014.

Countryside Financial Institutions Enhancement Program (CFIEP)

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 the rehabilitation of an eligible rural bank via M&C and P&A. While there has been no new availment for financial assistance under the CFIEP, the CFIEP Technical Working Group (TWG) has been supporting the implementation of both the SPRB Plus and SPCB Plus by providing funds for the conduct of information campaign/roadshows to intended program beneficiaries and to fund the engagement of external auditors for the conduct of due diligence on participating cooperative banks under the SPCB Plus. The CFIEP is a tripartite undertaking among the PDIC, BSP and LBP to also encourage business combinations among rural banks and contribute to countryside development. Originally launched on October 29, 1991 through the issuance of BSP Circular No. 1315, the CFIEP has three modules and three programs.

PDIC Investor-Investee Helpdesk

The Helpdesk was established in 2010 to support and complement PDIC's various programs promoting M&Cs, P&As and bank strengthening measures. It is a facility where PDIC matches STPIs or Investors and Investee banks who registered in the same to find suitable counterparties with whom they can pursue business combinations like merger, consolidation or acquisition. Identities of registrants in the Helpdesk are kept under strict confidentiality. Registrants in the facility are listed in active status for six months, subject to their request for extension or delisting.

From 2010 to yearend, the Helpdesk received a total of 48 applications for registration from Investors and 31 from Investees. As of yearend, the Helpdesk has 25 active registrants, of which 18 were Investors and seven were Investees.

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[11] BSP Circular 820 enumerates the Regions affected by supertyphoon Yolanda that are qualified for BSP regulatory relief.

Banks Ordered Closed in 2013

Bank	Closure Date	Province	Region
Capitol City Bank, Inc., A Rural Bank	1/24/2013	Cavite	4-A
Rural Bank of Gainza (Camarines Sur), Inc.	2/1/2013	Camarines Sur	5
Rural Bank of Majayjay, Inc. (Laguna)	2/8/2013	Laguna	4-A
Rural Bank of Buenavista (Agusan del Norte), Inc.	3/4/2013	Agusan del Norte	CARAGA
La Consolacion Rural Bank, Inc.	3/15/2013	Laguna	4-A
Rural Bank of Kinogitan (Misamis Oriental), Inc.	3/27/2013	Misamis Oriental	10
Cooperative Rural Bank of Bulacan, Inc.	5/24/2013	Bulacan	3
Rural Bank of Naval, Inc.	5/31/2013	Biliran	8
Rural Bank of Borongan (Eastern Samar), Inc.	6/17/2013	Eastern Samar	8
Rural Bank of San Fernando (Cebu), Inc.	7/5/2013	Cebu	7
Quezon Traders Rural Bank of Candelaria (Quezon), Inc.	7/12/2013	Quezon	4-A
Rural Bank of San Jose del Monte, Inc.	8/2/2013	Bulacan	3
Rural Bank of La Trinidad, Inc.	8/22/2013	Benguet	CAR
Rural Bank of Sto. Tomas (Davao del Norte), Inc.	9/16/2013	Davao del Norte	11
Rural Bank of Hagonoy (Davao del Sur), Inc.	9/20/2013	Davao del Sur	11
Rural Bank of Catubig (Northern Samar), Inc.	11/11/2013	Northern Samar	8
Rural Bank of Alaminos (Laguna), Inc.	11/15/2013	Laguna	4-A
Sarangani Rural Bank, Inc.	12/6/2013	South Cotabato	11

Receivership

With the regulators' continuing resolve to strengthen the banking system, 18 banks were placed under receivership, the lowest since 2007. This approximated the average number of yearly bank closures for the past ten years. Combined, these 18 closed banks had a total of 50 banking units with aggregate deposits of Php3.7 billion involving 91,067 deposit accounts. Of the total deposits, 82.0% or Php3.0 billion were estimated insured deposits.

All 18 closed banks were rural banks (one is a cooperative rural bank) with nine located in Luzon, four in the Visayas and five in Mindanao.

There are 619 closed banks under PDIC receivership and liquidation. Of this total, six are under receivership and 613 are under liquidation. Of the 613 closed banks, a total of 163 have terminated liquidation. Banks under receivership and liquidation were spread nationwide: 44 were in the National Capital Region and 342 were in Luzon. A total of 131 closed banks were in the Visayas and 102 in Mindanao.

Asset Management

PDIC manages the affairs and assets of closed banks with the objective of maximizing recovery to settle claims of creditors including uninsured depositors and stockholders.

Several initiatives to support the asset management function of the Corporation were pursued during the year.

The ROPA Management System (ROPAMS) moved closer to fulfillment with the migration of corporate and closed bank real and other properties acquired (ROPA) into the production server. Data completion (which includes data clean-up and data catch-up), User Acceptance Testing and resolution of findings and issues were ongoing as of yearend. Expected to be fully operational in 2014, the ROPAMS is envisioned to streamline the management and sale of real properties through a compact yet comprehensive database, interfaced with peripheral systems and dedicated ROPA website as the system's façade to would-be buyers and other external parties.

PDIC also availed of the e-titling or Land Titling Computerization Project of the Land Registration Authority with the conversion of initially 2,200 manually-issued titles of PDIC corporate-acquired properties. This is aimed at facilitating the conduct of due diligence of converted titles, protection from loss and hastening transactions with the Registry of Deeds.

PDIC has long supported the government's thrust of providing decent housing for the country's marginalized society. It has approved the disposal of closed banks' properties through the Community Mortgage Program of the Social Housing Finance Corporation (SHFC). Sale of Phases 1, 2 and 5 of a property of the closed Fortune Savings and

Promoting **Financial Stability**

In June 2013, the PDIC signed a Memorandum of Agreement (MOA) with the Innovation Ville Homeowners Association, Inc. for the sale of properties of the closed Fortune Savings and Loan Association, Inc. (FSLAI). PDIC Executive Vice President Cristina Q. Orbeta (sitting, 2nd from left) and Sta. Rosa City Mayor Arlene Arcillas (sitting, 3rd from left) were present during the signing of the agreement.

Loan, Inc. located in Barangay Pooc, Sta. Rosa, Laguna to Innovation Ville Homeowners' Association, Inc. culminated in the issuance by SHFC of the Letter of Guarantee in favor of the PDIC. Turnover of the Letter of Guarantee to PDIC is scheduled next year.

Disposal of assets to convert them into more liquid income-earning instruments remained a priority. The primary means of disposing assets were through public bidding and negotiated sale. Seven bidding exercises were conducted by the ROPA Disposal Committee during the year to dispose real property, vehicles and furniture, fixtures or other equipment (FFEs) in the inventory. In 2013, 149 real properties of closed banks were sold, generating an aggregate amount of Php187.7 million, of which Php123.2 million or 65.6% represented the sale of 65 properties in public biddings. The balance of Php61.2 million or 32.6% was from negotiated sale of 70 properties. Three other properties with a total purchase price of Php2.7 million were sold in a housing fair sponsored by the HUDCC and another 11 properties were disposed for Php0.6 million through the Comprehensive Agrarian Reform Program. Total premium from these sales amounted to Php60.8 million, compared to the Php127.0 million total book value of the sold closed bank properties.

The amount of Php8.8 million was generated from the sale of transportation equipment/vehicles while FFEs disposed contributed another Php8.9 million.

With respect to corporate properties, four assets amounting to Php9.7 million were sold via public bidding and eight assets with total disposal price of Php11.4 million were disposed through negotiated sale for a total of Php21.1 million. With total book value for the 12 properties of Php14.5 million, the Corporation generated a total premium of Php6.6 million from these sales.

Other income, consisting of prior-year installment sales, lease income and dividends, yielded Php170.7 million and Php36.8 million for closed banks and PDIC corporate account, respectively. Total proceeds generated from the sale of assets during the year reached Php402.6 million.

Loans Management

Resolution of loans via collection, compromise, and foreclosure/*dacion en pago* were judiciously pursued to maximize recoveries. Cash collections from loan accounts of closed banks registered a 36.7% growth year-on-year from Php658.0 million in 2012 to Php899.5 million in 2013. Total closed bank loans resolved during the year of Php1.2 billion posted a robust 35.6% growth against the previous year's level of Php846.0 million. Resolved corporate loans amounting to Php251.8 million were largely due to compromise settlement and *dacion* of assets while cash collection accounted for Php97.8 million. On consolidated basis, loan resolutions surpassed the previous year's level by Php346.2 million or 32.9% from Php1.1 billion in 2012 to Php1.4 billion during the year.

The marked improvement in loan resolution was due to intensified collection efforts onsite, immediately after bank

The disposal of closed banks' assets is undertaken to maximize recovery to settle claims of creditors and uninsured depositors through regular conduct of public biddings under the supervision of the ROPA Disposal Committee. Assets not sold during public biddings are disposed through negotiated sale.

closure and painstaking negotiations with clients for compromise settlement/loan restructuring to help meet their obligations. Client visitations, especially for big ticket accounts, were likewise pursued to boost collections.

During takeover operations of 18 banks closed in 2013, total cash collections amounted to Php125.6 million compared to Php40.8 million in 2012, resulting from the sending of demand letters and judicious attention to collection while on field. Borrowers, after receiving the demand letters, proceeded to the closed banks' premises to negotiate for loan settlement. They were likewise informed of the process to settle their accounts. Another collection strategy on field is to touch base with the local banks in the area for possible loan take out of closed bank's existing portfolio to provide borrowers with the option to transfer their loans and continue amortizing the loan with another bank.

To further improve service delivery to clients and appropriately record and monitor loan transactions, the Corporation initiated the procurement of a loan management system (LMS) to establish a comprehensive database for the more than 600,000 loan accounts under PDIC management as of yearend. This initiative is envisioned to streamline the management and resolution of loans and provide a more efficient and faster delivery of service to clients, while enabling proper accounting of transactions from takeover until assignment to creditors during the preparation of the final project of distribution of assets.

Payment of Creditors' Claims

A principal mandate of PDIC as receiver of closed banks is to distribute the remaining assets to creditors based on the project of distribution (POD) approved by the Liquidation Court. The POD, which may either be partial or final, is the blueprint on how the remaining assets of a closed bank will be paid out to its creditors. PODs are approved by the Liquidation Courts. Creditors and depositors have until three years from the date of finality of the court order approving the POD within which to claim their receivables. After three years, unclaimed assets shall be escheated in favor of the National Government.

In 2013, PDIC distributed Php293.4 million worth of assets to creditors of closed banks to implement the court-approved PODs. Of this amount, Php175.0 million came from eight banks whose PODs were approved by the Liquidation Courts during the year. About 96% of the creditors' claims or Php168.1 million was paid as of yearend, benefiting 285 creditors. Four out of the eight banks registered surplus dividends, enabling creditors to receive their full claims plus an interest on their claims.

The PDIC has distributed a total of Php11.3 billion in closed banks' assets to creditors as of yearend. Estimated aggregate recovery of creditors is about 67.0% of their total claims. Outstanding balance of assets awaiting claims by creditors is at Php494.9 million, most of which are ROPA and assignment of loans receivables.

Promoting **Financial Stability**

In line with its objective to liquidate non-financial assets, the PDIC participated in the 8th Housing Fair organized by the Housing and Urban Development Coordinating Council (HUDCC) in October 2013 where it sold Php72.02 million worth of properties.

Termination of Liquidation

Liquidation activities on 84 closed banks have been approved for termination during the year, concluding the long and arduous liquidation process on such banks. Moreover, liquidation of 163 closed banks have been terminated since 2011. This effectively reduced the inventory of banks under PDIC liquidation to 456. The termination of liquidation and winding up activities for closed banks are targeted to be completed within three years after the approval by the courts with finality of the final POD of assets of the closed banks.

Legal Cases and Investigations

The PDIC conducts investigations on probable fraud, irregularities and/or anomalies committed in closed banks. Based on the results of investigations, appropriate cases or reports are filed by the PDIC with the Department of Justice (DOJ), the courts, the Bangko Sentral ng Pilipinas (BSP) or other appropriate agencies.

In 2013, the PDIC filed a total of nine criminal cases: eight cases were filed with the DOJ and one case was filed directly with the court. There were three cases involving syndicated *estafa*, one case for large-scale *estafa*, one case for *estafa*, two cases for conducting business in an unsafe and unsound manner, and two cases for qualified theft.

As a result of the cases filed, and upon PDIC's request, the DOJ issued Lookout Bulletins against bank officers and employees involved in seven criminal complaints to prevent miscarriage of justice given the possibility that the said bank personnel may attempt to flee the country to place themselves beyond the reach of the lawful process of the DOJ.

The PDIC also referred cases on suspicious transactions to the Anti-Money Laundering Council (AMLC). Also, the assistance of the Bureau of Internal Revenue was sought in relation to possible violation of tax laws while cases were referred to the BSP for possible violation of banking laws and for conducting business in an unsafe and unsound manner.

During the year, the courts convicted several accused in two *estafa* cases. One was against the former President and the Assistant Vice President of the closed Jade Progressive Bank[12]. They were sentenced to imprisonment for a minimum of four years up to a maximum of 14 years and eight months in addition to payment of damages in the amount of over Php3.0 million. The other case involved a former PDIC Deputy Receiver/Liquidator of the closed Rural Bank of Buenavista (Marinduque), Inc. He was sentenced to imprisonment of three months at the minimum up to one year and eight months at the maximum[13].

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[12] *People of the Philippines vs. Luis Co and Alvin Milton Co., Criminal Case No. 03-211251, RTC Manila, Br. 15*

[13] *People of the Philippines vs. Cyril O. Gonzales, Criminal Cases No. 2K5-35 to 36, MTC Buenavista, Marinduque*

The PDIC filed criminal cases against erring individuals who engaged in unsafe and unsound banking practices that threaten the stability of the country's banking system.


PDIC pursues cases against bank manager, bookkeeper of rural lender

Bankers get 14 years for estafa

Bank head, others on lookout list

PDIC, BSP file syndicated estafa vs. Farmers' Bank, Inc.

THE Philippine Deposit Insurance Corporation (PDIC) and the Bangko Sentral ng Pilipinas (BSP) jointly filed with the Department of Justice (DOJ), a complaint for syndicated estafa against the chairman and officers of the closed Philippine Farmers' Bank, Inc. (PFBI), as well as the President of Primebuilder Corporation.

PFBI was ordered closed by the Monetary Board on September 17, 2009 and was placed under PDIC receivership. It had its Head Office at Canoy Bldg., Borja/Velez Sts., Cagayan de Oro City and branches lo

BusinessMirror

DOJ gives ultimatum to respondents to estafa cases filed by deposit insurer

4 execs of Cagayan bank face fund ra

PDIC files charges vs Export Ba

Gov't firm cites 'unsafe, unsound business practice'

Engagement of Fraud/Forensic Investigators

The Corporation engaged the services of two firms to assist in the conduct of fraud/forensic investigation in two big banks under liquidation.

Diaz Murillo Dalupan & Co. was tapped for the fraud/forensic investigation of the closed LBC Development Bank, Inc. The Monetary Board placed LBC Development Bank, Inc. under PDIC receivership in September 2011. A 20-unit thrift bank with branches located nationwide, LBC Development Bank, Inc. had a total estimated insured deposits amounting to almost Php3.0 billion.

Meanwhile, forensic investigation on the closed Export and Industry Bank, Inc. (EIB) was outsourced to Alba Romeo & Co. The Monetary Board placed EIB under PDIC receivership in April 2012. A 50-unit commercial bank, EIB had total estimated insured deposits of Php2.3 billion.

As of yearend, these firms had already submitted the reports emanating from the fraud/forensic investigation of both closed banks.

Filing of Petitions for Assistance in the Liquidation of closed banks and Projects of Distribution

To commence the liquidation of the closed banks' remaining assets, PDIC files petitions for assistance in the liquidation of closed banks with the Liquidation Courts. During the year, PDIC filed with the courts a total of 25 petitions for assistance in the liquidation of closed banks.

Projects of Distribution (PODs) for closed banks are also filed by the PDIC for the approval of the Liquidation Courts. The POD is a blueprint on how the assets of a closed bank will be distributed to its creditors in accordance with the law. The POD is filed with and approved by the Liquidation Court before it can be implemented. PODs may either be partial or final.

Eight final PODs for closed banks were filed during the year. Seven were approved, of which a total of Php13.0 million was adjudicated to PDIC representing Receivership and Liquidation fees and expenses in the amount of Php7.6 million and subrogated deposits of Php5.4 million. To date, PDIC has filed 333 final PODs. Of this total, 285 were approved and 48 were pending with the Liquidation Courts.

Audit of Legal Cases

A total of 375 cases of closed banks were audited during the year. Of this total, only 119 cases were found to be viable for further action. The balance was classified as either terminated, recommended for cost benefit analysis, for status verification, or for termination.

Reaching RB Catubig for takeover and payout posed a challenge because of the widespread devastation caused by supertyphoon Yolanda (as seen in this aerial shot), which destroyed entire cities and towns, killed thousands of people and left millions homeless and displaced. The aftermath of the catastrophic typhoon did not deter the PDIC takeover teams from traveling to Catubig despite difficulties, to fulfill their commitment to the closed bank's depositors.

RURAL BANK OF CATUBIG:
A Test of Public Service Committment

Each closure presented its unique set of problems, some more challenging than others. PDIC often had to deal with resistance from bank officers and stockholders, missing records and assets, and incidence of fraud and irregularities. However, the ability to take over a bank in far-flung areas in a period of calamity such as a supertyphoon, and simultaneous takeover of multi-unit banks with tens of thousands of depositors pose not only logistical challenges but also endanger the lives and health of the takeover teams. This notwithstanding, PDIC has shown its ability to cope with these challenges, with staff fully committed to fulfill the Corporation's mandate.

The closure of the Rural Bank of Catubig (Northern Samar), Inc., a day before supertyphoon Yolanda struck on November 8, 2013, was a significant challenge to the PDIC takeover team that had to go to extreme lengths to answer the call of duty and promptly serve the notice of closure to the bank. Catubig in Northern Samar was not in supertyphoon Yolanda's direct path, being bordered by the Palusong and Hitaasan mountain ranges, and was thus spared the brunt of the supertyphoon's fury. Nevertheless, receivership and deposit insurance operations were adversely affected as massive relief operations by local and foreign teams clogged every conceivable route to deliver food and other supplies to Leyte and other hard-hit areas, including the roads leading to Catubig.

Thus, the members of the takeover and project management teams of the Rural Bank of Catubig, Inc. faced huge logistical problems, as they had to give way to the rescue and relief operations for supertyphoon Yolanda. Anticipating difficulties in reaching Catubig, the three teams deployed travelled via different routes. The first team consisting of six personnel fortunately boarded their scheduled flight after a 10-hour delay, and reached Catarman on November 10. It took them another two hours by land to reach Catubig. Upon reaching Catubig, the team was confronted with power outages. Even generator sets could not be used due to gas shortage.

The onslaught of supertyphoon Yolanda posed formidable challenges to the takeover operations of the closed Rural Bank of Catubig in Northern Samar.

The PDIC conducted a Depositors-Borrowers Forum for Rural Bank of Catubig on November 14, 2013, barely a week after supertyphoon Yolanda struck. Payout operations followed shortly on November 19, 2013.

Field communication lines also affected coordination with Head Office and other team members who were on their way to join the team. Due to this difficult circumstance, the notice of closure was served on November 11, 2013 or three days later than the normal one-day turnaround time.

With another storm threatening to batter the region again, the second team originally consisting of six personnel was cut to a team of two. The team managed to fly to Legaspi, Albay on November 12 and found their way to Catubig after nine hours of travel by land.

The last team deployed suffered the same ordeal as uncertainties, delays and discomfort tested their resolve to serve the depositing public. But with the more urgent need of depositors to access their deposits in mind, the team withstood all the difficulties and worked double time to generate the register of insured deposits to start the payout process at the soonest possible time.

The difficult circumstances and uncomfortable working environment did not deter the teams from achieving a turnaround time of 10 days for payment of deposits, outpacing the 15-day average for banks closed during the year.

The trip back to Manila proved to be equally arduous as all transportation facilities continued to give priority to relief operations. The teams, however, were more relaxed knowing that they have done their fair share in helping disaster-affected depositors.

Fueled by the unwavering commitment to fulfill the Corporation's mandate, the takeover team successfully achieved a turnaround time of 10 days to start the payout operations to depositors.

Enhancing **Capabilities**

The Deposit Insurance Organization (DIO) of the Year should have undertaken changes in its IT infrastructure, processes and/or programs designed to facilitate payout, premium collection, monitoring of member institutions and resolution activities. It has also adapted a better or made significant improvements to its funding system (Criteria 1 and 4 of Category on Deposit Insurance System Improvements to the DIO of the Year Award).

Business Process Improvements

PDIC's quality management system (QMS) for claims settlement operations (CSO) is ISO 9001:2008 certified, and consistently adheres to the QMS principles and standards. One of these is the principle on continual improvement which drives PDIC to explore new payout models and strategies, all aimed at reducing the depositors' waiting time for the settlement of their insured deposits.

Accordingly, the Quality Manual was updated to reflect changes in PDIC's Business Process Model in claims settlement operations arising from organizational realignment. The Procedures for Document Control was also revised to update essential elements of the Quality Procedures and Standard Operating Guidelines and Instructions (SOGIs), as well as to shorten turnaround time in the distribution of internal documents for immediate implementation. Provisions regarding the treatment of electronic copies of documents were also added to the Procedures.

The Home Office Claims Settlement (HOCS) operations was the subject of an efficiency review during the year to identify areas for further improvement. The review is aimed at achieving a shorter waiting time in the settlement of insured deposits. Specific areas targeted for improvement were the receiving of claims through mail and over-the-counter, processing, settlement and records-keeping. The results of the efficiency review enabled the adoption of the following improvements to HOCS operations: (i) implementation of the Project Management Team (PMT) approach[14] to resolve pending claims; ii) consolidation and centralization of records-keeping of documents for unfiled claims during Field Operations Claims Settlement (FOCS) to facilitate retrieval; iii) payment through money order services offered by private couriers; and iv) adoption of a production-based set-up[15] with Document Handlers. The other enhancements focused on the monitoring of prescriptive period for depositors with unfiled claims; on the Insurance Claims System (ICS) in order to generate the Register of Clean Insured Deposits (RCID); and on the information dissemination campaign particularly on the proper accomplishment of the claim form and prescriptive period to file deposit insurance claims. These enhancements involved the elimination of redundant processes and improved response mechanism for depositors' claims to shorten turnaround time to meet depositors' needs. Other recommendations resulting from the efficiency review were targeted for implementation in 2014.

Other efficiency reviews which resulted in streamlining of the audit process by adopting a revised audit framework and maximizing the use of existing information database in the validation process, were likewise conducted in 2013 not only to improve the existing procedures and optimize the use of corporate resources, but also to ensure compliance with rules and regulations. This included the review of the assesment audit of member banks and the administration of the procurement process which resulted in revised existing guidelines to conform with applicable provisions of the Government Procurement Law (RA 9184), its related implementing rules and regulations (IRR) and specific guidelines related to each mode of procurement issued by the Government Procurement Policy Board (GPPB).

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[14] 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 for the various task components of depositor reimbursement.

[15] A layout configuration wherein workstations are grouped together according to stages of activities i.e, claims processing to settlement. All processed claims are collected by document handlers and forwarded in bulk to the next stage for settlement.

Process improvements in other areas of operations are continuously pursued and consistently implemented through formulation of new SOGIs and regular review and revision of existing ones. SOGIs approved in 2013 covered the areas on bank examination, provisioning for losses and records-keeping, and on administrative services.

Insurance Claims System

As part of the Corporation's continuing improvement in the claims process, the Insurance Claims System (ICS) was developed to integrate the entire insurance claims process. The system covers the preparation of the Masterlist of Deposit Liabilities up to claims settlement or the stage where insurance claimants actually receive their insurance claims. The integration project was initiated in 2011. The system has two modules, namely, Field Operations Claims Settlement (FOCS) and Home Office Claims Settlement (HOCS) modules.

The FOCS module was fully operational by the second quarter of 2013 and was first used in the payout of the closed Rural Bank of Majayjay, a three-unit bank based in Laguna that was ordered closed by the Monetary Board and taken over by the PDIC in February 2013. The HOCS module, on the other hand, was first implemented in the closed Cooperative Rural Bank of Bulacan, Inc. in August 2013. The HOCS handles processing of all remaining deposit insurance claims not filed during FOCS.

The Insurance Claims System has improved the claims settlement process by integrating processes for computation of interest rates, determination of insurance due and generation of operation and statistical reports. The system is also highly parameterized. Thus, changes in thresholds can easily be accommodated. The initial implementation of the ICS generated positive and efficient results as it significantly reduced processing time for deposit insurance claims. The ICS has been continuously enhanced to address system variations and peculiarities in each bank closure since the time it was first used.

Other Systems

To support operational efficiency, a number of systems were enhanced during the year while some underwent efficiency reviews.

The implementation of the Real and Other Properties Acquired Monitoring System (ROPAMS) was 70% completed during the year. Meanwhile, enhancements of the terms of references (TOR) for several systems either for procurement or development were underway during the

The efficiency review during the year resulted to the adoption of various enhancements to the claims settlement operations, foremost of which is the Project Management Approach. One of the Project Management Teams meets during field deployment to assess the status of the presettlement examination of deposits and plan the servicing of claims.

year such as the Loans Management System (LMS) and the Receivership and Liquidation Financial System (RLFS). Efficiency reviews on some of the processes involved in the Budget Monitoring System (BMS), Human Resources Information System (HRIS) and Procurement System were also being prepared during the year. The development of various systems such as the Project of Distribution System (PODS), Financial Assistance System (FAS), Customer Assistance System (CAS) and Management Information System (MIS) was retargeted for next year.

Risk Management

One of the major strategic directions of PDIC in its Roadmap to 2016 is the strengthening of the organization and enhancement of its financial and service capabilities.

Cognizant of the importance of risk assessment and management and its possible effects on the achievement of its strategic goals, as well as the need to strengthen corporate governance, the Corporation formed the Task Force on Risk Management (TFRM) in May 2011 to handle the responsibilities of the Risk Management Office (RMO) in the absence of a Risk Officer. The TFRM functioned until August 2012.

The Task Force formulated the selection criteria for items to be taken up in the Board Risk Management Committee (BRMC). The criteria served as guide on the Board papers to be recommended for review of the BRMC prior to submission to the Board of Directors. The TFRM was likewise tasked to identify and evaluate the risk areas and concerns for the transactions proposed.

The RMO was headed by an Officer-in-Charge for quite some time until a Vice President/Chief Risk Officer was appointed in January 2013. The BRMC Charter which established the general framework through which the Board of Directors, through the BRMC, shall exercise risk oversight over the Corporation and ensure that the key risks of the Corporation were identified and managed, was approved in the same month.

The Board of Directors likewise approved the adoption of an Enterprise-wide Risk Management Framework in accordance with ISO 31000:2009 “Principles of Effective Risk Management”. The ERM Framework was envisioned to enable all decision-makers to be fully informed of the risks facing the Corporation by systematically identifying and evaluating potential risks and ensuring that these are managed well and negative effects are mitigated.

It also sets the tone of the shift in focus from crisis response and compliance to risk assessment and evaluation of risks in the context of the Corporation’s policies and processes to enable it to identify priority risks and appropriately address these. The institutionalization of the ERM Framework is intended to instill a culture of risk awareness in the Corporation. This requires continuing consultation and communication among business units as well as putting in place a monitoring and review system by the RMO to ensure that important information generated by the risk management process are captured and used for decision-making.

Central to the implementation of the ERM Framework is a risk system that would standardize and support the risk management process. Standardized reports, such as the risk register and the risk assessment templates have been developed to capture risk management issues affecting the Corporation and the attainment of its goals.

The full implementation of the ERM Framework is expected next year.

Governance

Under the guidance and direction of the Board Governance Committee, the Corporate Governance Office embarked on a number of initiatives aimed at instituting a culture of good governance within the Corporation. The Charter of the Board Governance Committee was amended to address possible deadlocks and quorum issues. During the year, the Corporate Governance Code ("Governance Code") was revised to create a framework for good governance. The Governance Code further codified PDIC's Mission, Vision, and Core Values to emphasize that good governance results to the fulfillment of these ideals. The Compliance Program was likewise crafted to serve as a guide to ensure adherence to applicable laws and other issuances and minimize legal and regulatory risks that may arise as a result of non-compliance.

Customer Service and Employee Engagement

Initiatives to highlight the value of employee engagement started early in January with a series of cascades, briefings and consultations across sectors to promote understanding and commitment to the new Project Management Team approach to bank closure and claims settlement. Anchored on a new mindset and game plan, the new approach gave customer service uncompromising focus.

Eighty-two employees who have rendered 10, 15, 20 and 25 years of service to the Corporation were honored during the June and December PRAISE Awards, highlighting the contributions of the workforce in the actualization of PDIC's vision and mission.

Board Audit Committee

The Committee supports the Board of Directors in fulfilling the latter's oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the Corporation's process for monitoring compliance with laws, rules and regulations and the code of ethics. The authority of the Board Audit Committee emanates from the Audit Committee Charter which provides a framework for the exercise by the Committee of its oversight function in support of sound corporate governance. The Board Audit Committee supervises the Internal Audit Group's (IAG) activities such as the conduct of baseline assessment of internal control system of various operations/processes in addition to its regular internal audit activities such as special audits, control verification, systems and database reviews. It ensures that audit plans are completed in accordance with the approved Audit Plan for the year.

Board Risk Management Committee (BRMC)

The BRMC oversees the identification of strategic risks and assesses the viability and capability of the Corporation to carry out its mandate. It recommends to the Board of Directors appropriate policies or changes in existing policies to consider risk assessment and management of risks. The BRMC likewise monitors the adequacy, completeness, implementation, and effectiveness of the Corporation's risk management system, and recommends improvements, when necessary.

Board Governance Committee (BGC)

The BGC assists the Board of Directors in fulfilling its corporate governance responsibilities and addresses breaches from the rules and regulations of good governance. It is authorized under its Charter to deal with, and where applicable, resolve, determine and approve, all matters falling within the scope of its purpose and duties as set out in this Charter, and to meet with and obtain any information/assistance it may require from PDIC officers and staff or its external counsel/auditor/consultants having special competencies, as the committee deems necessary to fulfill its responsibilities.

The PDIC employees participated in the RACE to Serve III Fun Run on September 7, 2013 at the Quirino Grandstand in Manila organized by the Civil Service Commission to kick off the celebration of the 113th Philippine Civil Service Anniversary.

Over a dozen wellness activities, in addition to the annual physical examination program, were likewise conducted for the employees throughout the year, including sessions on nutrition, stress management, body age, awareness on critical illnesses, vaccinations and health screenings. Participation in inter-agency activities such as the BAIPHIL Badminton Tournament on January 26, and the fun runs organized by the Philippine Health Insurance Corporation (Philhealth) held on February 17, the University of the Philippines-National College of Public Administration and Governance (NCPAG) on April 28, and the Civil Service Commission (CSC) on September 7, was likewise encouraged to promote collaboration with colleagues in the public and private sectors. A PDIC contingent also participated in the fun run to celebrate the 165th Independence Day of the Philippines on June 12.

Corporate Services

In 2013, the human resource initiatives fully supported the new directions to break new grounds in operations and service delivery, as well as the continuing efforts to strengthen the organization in terms of learning, performance management, workplace quality enhancement and culture-building.

Organizational Effectiveness

In line with PDIC's commitment to remain compliant with the requirements of the CSC for Level II – Accredited Status, the Board of Directors approved the PDIC Strategic Performance Management System (SPMS) on December 18, 2013. This was later approved by the CSC for initial implementation in 2014.

The SPMS covers four phases: 1) Performance Planning and Commitment, 2) Performance Monitoring and Coaching, 3) Performance Review and Evaluation, and 4) Performance Rewarding and Developmental Planning. The unique features of the SPMS make it more responsive and aligned with the process of evaluating the achievement of corporate goals. It also provides for the integrated assessment of both individual and office or group performance, and emphasizes the conduct of performance coaching by supervisors and officers.

For better internal control, the Board of Directors also approved the transfer of the Property Appraisal Department, its functions, plantilla items and incumbent personnel to the Risk Management Office (RMO). The Department is responsible for the conduct of appraisal of assets under the

Enhancing **Capabilities**

PDIC officers participated in the Executive Master in Development Management program on leadership and integrity in public financial management offered by the Department of Finance (DOF) and the Asian Institute of Management (AIM).

administration of the Receivership and Liquidation Sector and those presented for collateral to the Provident Fund for employee housing loans.

Learning and Development

Grounded on the strategic direction to enhance the organization's service capabilities under the Roadmap to 2016, learning and development initiatives were conducted including in-house training on the Project Management Team approach, Customer Service, Basel III, Financial Risk Modeling, Bank Stress Testing Model, Risk Management from A Supervisory Perspective, the newly installed ROPA Monitoring System, the PDIC-customized Mandatory Continuing Legal Education (MCLE), Basic Leadership and Supervision, 7 Habits Applications for Managers, Foundation Course for new employees, and Effective Media Skills for Executives, among other programs. Internal and external subject matter experts and resource persons were tapped to administer the aforesaid trainings.

The PDIC also participated in the Asia Pacific Economic Cooperation (APEC) – Financial Regulators Training Initiative (FRTI) Regional Seminar on Technology Risk Supervision in Sydney, Australia on February 18 – 25 and co-hosted with the Bangko Sentral ng Pilipinas (BSP) and the Asian Development Bank (ADB) the Regional Seminar on Bank Analysis and Examination conducted in Manila on April 15 – 19. The Corporation, through Executive Vice President Cristina Q. Orbeta, continues to sit in the APEC-FRTI Advisory Group for Bank Supervision to help in the determination of the training needs and the corresponding course offerings for banking regulators of member jurisdictions.

To gain knowledge on best practices of more developed deposit insurance systems, the PDIC sent a team on April 2 – 5 on a study visit in Washington, USA, under the auspices of the Federal Deposit Insurance Corporation to learn from its extensive experience on bridge banking and bank resolution.

PDIC also sponsored five scholars to the 2013–2015 Department of Finance – Asian Institute of Management (DOF–AIM) Executive Master in Development Management, Major in Public Finance program, launched in July.

The 5S Program of the PDIC that aims to promote and maintain a conducive work environment was launched on February 18, 2013. Following the launch was the creation of the 5S Core Group and approval of the SOGI on the Quality Workplace Program (QWP). The principles of the 5S Program were applied during the Big Clean Up Day on April 27, 2013 which also served as a team building activity for PDIC.

GAD Movement

PDIC's support of the government's Gender and Development (GAD) Program stepped up in 2013. A number of activities were spearheaded to create more awareness and involvement in driving gender equity in the workplace. Seminars on gender sensitivity and the Magna Carta of Women and Related Laws were conducted in-house. The National Women's Month in March was observed through participation in the "Go, Negosyo" 5th Filipina Entrepreneurship Summit, and the hosting of advocacy session on Outstanding Filipino Women. PDIC employees attended several GAD-related training outside the Corporation, including the Forum on Gender-Friendly Workplace, GAD Planning and Budgeting, Evaluating GAD Mainstreaming Activities and Setting the GAD Agenda, and GAD Budgeting in the Philippines; Learning from Theory and Practice. PDIC also took part in the Walk to End Violence Against Women, and the lecture on HIV and AIDS in November.

Quality Workplace Activities

Following the creation of the 5S Core Group and approval of the Standard Operating Guidelines and Instructions (SOGI) on the Quality Workplace Program (QWP), the PDIC 5S Program was formally launched on February 18.

The 5S Program aims to promote and maintain a conducive work environment that will help steer the organization and its employees toward a culture of efficiency, effectiveness and economy. This involves the adoption of Quality Workplace Standards (QWS) based on the principles of good housekeeping, in support of the Quality Management System. The 5S Core Group spearheaded the conduct of seven batches of learning sessions in April which highlighted the 5S concepts and the implementation of the QWS.

The President and members of senior management led the Big Clean-up Day on April 27, with wide participation across sectors, taking on the elements of a corporate teambuilding activity as departments and groups rallied to clean up and organize their respective areas. Integral to the program was a 5S audit with technical assistance from the Development Academy of the Philippines. Prizes and special awards were given to groups who scored highest in the evaluation. Another round of audit was held on July 29 to August 2, to validate continuing compliance with the QWS, and identify opportunities for improvement. These activities marked the institutionalization of the 5S Program in the PDIC.

Expanding **Influence**

The Deposit Insurance Organization (DIO) of the Year has carried out an assessment for compliance with the IADI Core Principles for Effective Deposit Insurance Systems. The awardee should have attended, assisted in or organized a capacity-building event or seminar; and participated in IADI research papers and Committee projects.

It also signed Cooperation Agreements with other DIOs, foreign financial authorities and/or international organizations regarding deposit insurance and resolution issues. (Criteria 1 to 7 of Category on Core Principles and International Participation to the DIO of the Year Award).

In addition, the DIO of the Year should have also carried out active public awareness campaigns that include, but not limited to TV and/or brochures regarding deposit insurance, signs and other materials distributed in insured bank branches, deposit insurance information call center, distribution of promotional material, website section devoted to public awareness, updated corporate image, etc. (Criteria 5 and 6 of Category on Deposit Insurance System Improvements to the DIO of the Year Award).

The PDIC continued to pursue initiatives on public awareness and financial literacy consistent with the standards set by the IADI Core Principle 12 on Public Awareness. Core Principle 12 states that, *"In order for a deposit insurance system to be effective, it is essential that the public be informed about the benefits and limitations of the deposit insurance system."* Public awareness and financial literacy campaigns were bolstered during the year with the commemoration of the Corporation's 50th anniversary celebration.

Expanding **Influence**

During the year, the PDIC signed three agreements for cross-border partnership with its counterparts from Japan, Malaysia and the USA. These agreements promote cooperation and strengthened collaboration among the DIAs to help enhance their respective deposit insurance systems.

International Cooperation

At the international forefront, PDIC's significant achievements in bank resolutions and payouts; compliance with the IADI Core Principles and international participation; and deposit insurance system enhancements were recognized leading to its being judged the *Deposit Insurance Organization (DIO) of the Year* by the IADI.

Tedious preparations marked the journey toward the DIO Award starting with the creation of the IADI Counterpart Assessment Team (I-CAT). The I-CAT was tasked to conduct a self-assessment of PDIC's compliance with the IADI Core Principles and to ensure that the Corporation met the requirements based on the set criteria. The PDIC pioneered the conduct of self-assessment among the deposit insurance agencies. During the compliance assessment in June, the IADI External Assessors Team agreed with and confirmed the PDIC's self-assessment on 14 out of the 18 Core Principles.

PDIC's self-assessment initiative inspired the development of the proposed Self-Assessment Technical Assistance Program (SATAP) in IADI, which may be considered as an alternative approach to informing and sharing with deposit insurance agencies the process of self-assessment on compliance with the Core Principles. The Corporation, as external assessor, also assisted in the compliance assessment of Perbadanan Insurans Deposit Malaysia (PIDM) and Deposit Protection Fund Board (DPFB) of Kenya in 2012.

The Corporation sustained its institutional participation in various international fora. During the year, the PDIC supported 15 IADI conferences, Executive Council meetings and IADI-related programs, either as participants or resource persons for technical presentations. As resource persons, PDIC officials shared the Philippine experience in various conferences/seminars held in Ottawa, Canada; Mumbai, India; Tokyo, Japan; Texas, USA; Basel, Switzerland; Moscow, Russia; Seoul, South Korea; Arlington, Virginia, USA; Kuala Lumpur, Malaysia; Jakarta, Indonesia; Warsaw, Poland; Buenos Aires, Argentina; Singapore; and Taipei, Taiwan.

The PDIC also actively participated in the IADI through involvement in its sub-committees. PDIC President Valentin

To maximize audience reach, the PDIC carried out its public awareness campaign using various media tools and platforms

A. Araneta has been the chairperson of the IADI Audit Committee since February 2013. PDIC's membership in the Audit Committee supports the effective performance of oversight responsibility in monitoring the financial reporting process, internal controls, and risk management systems in promoting IADI's objectives.

In September 2013, PDIC joined the Study Group on Cross-Border Issues of the IADI Asia Pacific Regional Committee, a group tasked to undertake research and comparative study on the cross-border resolution frameworks of deposit insurance agencies for banks and other deposit taking institutions. The Corporation is also a long-standing member of the Research and Guidance Committee since 2002. The PDIC was also represented in five sub-committees undertaking various research topics from 2010 to 2013.

Affirming its commitment to strengthened partnerships among deposit insurance agencies, the PDIC signed bilateral agreements with the Deposit Insurance Corporation of Japan (DICJ); the Federal Deposit Insurance Corporation (FDIC) of the United States; and the Perbadanan Insurans Deposit Malaysia (PIDM) on cross-border issues. These partnerships underscored the need to establish relationships with other safety-net players, particularly on cross-border issues, to facilitate knowledge and expertise sharing across jurisdictions.

Local Public Awareness Programs

The implementation of PDIC's public awareness campaign is carried out through the use of different media tools and platforms. Aside from printed media, radio and television networks are also used for news releases. The Corporation also conducts press conferences and briefings. It also accepts invitations for radio and television appearances. The PDIC website was enhanced to allow more depositors, and the public in general, to view and access readily available information at their fingertips. The latest notices and announcements, news, updates, bulletins, activities, financial literacy initiatives, publications, and other projects were posted and are accessible for viewing or printing through www.pdic.gov.ph. The posting of PDIC's Transparency Seal and Citizen's Charter supports the Government's advocacy for transparency and good governance.

Expanding **Influence**

The PDIC signed on December 19, 2013 a tripartite memorandum of understanding (MOU) with the GSIS and SSS for the conduct of a financial literacy campaign for employees from the public and private sectors. The MOU was signed by GSIS President Robert G. Vergara (2nd from left), PDIC President Valentin A. Araneta (3rd from left) and SSS President Emilio S. De Quiros, Jr. (4th from left). PDIC Director Rogelio W. Manalo (left) witnessed the MOU signing.

During the year, the PDIC conducted two press briefings held in February and April. The briefings provided updates on PDIC operations in relation to its mandate and recent initiatives. Members of the Executive Committee discussed PDIC's bank strengthening initiatives such as the Strengthening Program for Rural Banks (SPRB) Plus, Investor-Investee Helpdesk and the proposed core banking system for rural banks; updates on the Deposit Insurance Fund (DIF); reports on PDIC's claims settlement operations (CSO); status of legal cases filed and being pursued by the Corporation; and future directions as indicated in the Roadmap to 2016.

The PDIC also enhanced its communication tools to reach out to more depositors and financially vulnerable members of the society. During the year, the Corporation launched its toll-free lines for the benefit of depositors residing outside Metro Manila.

The Corporation produced two significant printed brochures that were distributed during the year: (1) "*Knowing the PDIC",* which contains basic information on the public policy objectives, mandates and strategic directions of the PDIC, as well as the Corporation's medium-term strategic directions contained in its Roadmap to 2016*,* and (2) "*Understanding Deposit Insurance",* which covers basic information on the scope of deposit insurance and the application of the maximum deposit insurance coverage using illustrative examples. Both brochures were aimed at effectively communicating basic deposit insurance information to the depositing public.

PDIC initially distributed the brochures in cooperation with the Bankers Association of the Philippines (BAP) to almost 5,000 branches of commercial banks complete with acrylic standees to display the brochures on bank countertops or table tops. These brochures were also made available to walk-in clients at the PDIC Public Assistance Helpdesk.

PDIC's public awareness and financial literacy expanded during the year to include employees in the public and private sectors. Under the tripartite agreement among the PDIC, the Government Service Insurance System (GSIS)

The PDIC heightened its public awareness and financial literacy campaigns targeted at various stakeholder groups during the year.

and the Social Security System (SSS) signed in December 2013, the agencies will conduct financial literacy seminars on responsible banking and wise saving to members and prospective retirees of either GSIS or SSS. It is the shared vision of PDIC, GSIS and SSS to equip the general public with relevant information to enable them to make responsible financial decisions.

PDIC's financial literacy guidebook, *Usapang Pera: Mga Dapat Alamin*, is one of the main learning materials to be used during the seminars. The financial literacy campaign is slated to commence next year. The guidebook was also the official entry of the PDIC to the 49th Anvil Awards under the special publications category.

The Corporation actively participated in the financial literacy expos for university students and working professionals from the private and public sectors initiated by the Bangko Sentral ng Pilipinas (BSP) in San Jose, Antique; Malaybalay, Bukidnon; Catarman, Northern Samar; and Sta. Cruz, Laguna under its Financial Education Expo program. The expos provided members of the Financial Sector Forum (FSF) namely the BSP, PDIC, Securities and Exchange Commission and the Insurance Commission an opportunity to empower the public with information on saving, investing and banking.

The PDIC has been actively involved in the heightening of public awareness on financial literacy and consumer protection through the Protect Your Money (PYM) campaign, a project initiated by the FSF. The PYM campaign aims to raise public awareness on financial products and services, the basic responsibilities of depositors and investors, and the things to look out for when depositing or investing. In support of the campaign, the Corporation circulated and distributed posters and brochures advocating "Deposit in Banks," one of the basic tenets of the PYM campaign, to local government units, schools and universities, banks and public and private sector personnel during the seminars conducted by PDIC for GSIS and SSS members, respectively.

The development of an audio-visual tool to promote saving in banks targeted at students enrolled in the tertiary level, a joint project of the BSP and PDIC under the PYM campaign, was ongoing as of yearend.

Expanding **Influence**

1. From November 20 to December 2, 2013, the PDIC provided manpower support for the relief operations for the survivors of supertyphoon Yolanda led by the Department of Finance (DOF).

2. Members of the PDIC Officers Club and Phildiceo participated in a medical mission organized by the Philippine Red Cross for those affected by the 7.2 magnitude earthquake in Central Visayas.

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Corporate Social Responsibility

The PDIC has been involved in various community outreach projects in the past as part of its regular corporate activities. It was during the year that a corporate social responsibility program was institutionalized in response to Memorandum Circular 2012-07 issued by the Governance Commission for Government-Owned and Controlled Corporations (GCG) that required GOCCs to be *"socially responsible and operate as good corporate citizens."* The Circular stressed the duty of GOCCs to be responsive to all its stakeholders as well as the need for GOCCs to recognize and perform their obligations to stakeholders and the communities in which they operate.

In August 2013, the PDIC Board approved the Corporation's Corporate Social Responsibility (CSR) statement: *"The PDIC advocates the protection of the environment and the balanced development of communities."*

The CSR statement provides the framework for the proactive and conscious conduct of corporate social responsibility initiatives to target stakeholders and beneficiaries.

In fulfilling the CSR statement, the PDIC outlined strategies to strengthen institutional partnerships, enhance stakeholder engagement through mobilization of support and participation by internal and external stakeholders, and formulate initiatives aimed at long-term sustainability.

Support for the Rehabilitation of Pasig River

Pursuing its advocacy to protect the environment, PDIC participated in the *"One Run, One Philippines,"* a fun run organized by the ABS-CBN Foundation, Inc. The fun run aimed to raise awareness and public support to rehabilitate the Pasig River. The ABS-CBN Foundation, through its project *Kapit Bisig Para sa Ilog Pasig (KBPIP)*, has been working closely with local government units and national government agencies to rehabilitate the Pasig River and its tributaries. The fun run was held on October 6, 2013 with over 88,000 participants in the combined legs simultaneously held in Quezon City, and the cities of Cebu, Bacolod and Davao. Headed by the PDIC management and basketball player Japeth Aguilar of the Gilas Pilipinas and Barangay Ginebra team, the PDIC sent a delegation of 220 employees to the fun run event.

To monitor improvements to the Pasig River rehabilitation, the PDIC joined the Estero Tours organized by the ABS-CBN Foundation, Inc., with partner-agencies visiting the Pasig River tributaries such as Estero de Paco and Estero de San Miguel. During the tours, the Foundation provided updates on the Pasig River Rehabilitation Project.

Senior Vice President Ma. Ana Carmela L. Villegas (Management Services Sector) and Vice President Geronimo V. Ambe (Comptrollership Group) receive the Top Taxpayer award from Bureau of Internal Revenue (BIR) Commissioner Kim Jacinto S. Henares during the kick-off of the BIR's "I Love the Philippines, I Pay My Taxes Right" campaign.

Relief Operations for Supertyphoon Survivors

In response to the call of the Department of Finance (DOF) for massive manpower support to immediately provide relief goods to supertyphoon Yolanda survivors, the PDIC was tasked to supervise a three-shift 24/7 re-packing and warehouse operations from November 20 to December 2, 2013 at the Cargo Haus Storage Facility in Parañaque City, and at the Department of Social Welfare and Development (DSWD) – National Resource Operations Center (NROC) in Pasay City. PDIC employees also volunteered to pack relief goods on a shifting basis.

Medical Aid for Earthquake Victims

Prior to the devastation caused by supertyphoon Yolanda, a magnitude 7.2 earthquake hit the Central Visayas region, particularly the provinces of Bohol and Cebu. In keeping with its CSR program, the Corporation participated in a Medical Mission organized by the Philippine Red Cross from December 13 to 16, 2013 in Bohol. Representatives from the Officers Club and the PDIC Employees Organization (Phildiceo) assisted in the Medical Mission.

Payment of Tax Obligations

As a corporate citizen, it is the PDIC's obligation to set an example to both public and private organizations. For the fiscal year 2013, the Corporation was recognized by the Bureau of Internal Revenue (BIR) as the Top Taxpayer in BIR Region 7. The PDIC has consistently ranked among BIR's list of top taxpayers and this was taken a notch higher in 2013 when cited as the Top Taxpayer for the first time.The PDIC continuously does its share in paying the right amount of taxes, anchored on its belief that a financially sound bureaucracy promotes economic growth and boosts public confidence in government institutions, thereby contributing to the pursuit of nation-building.


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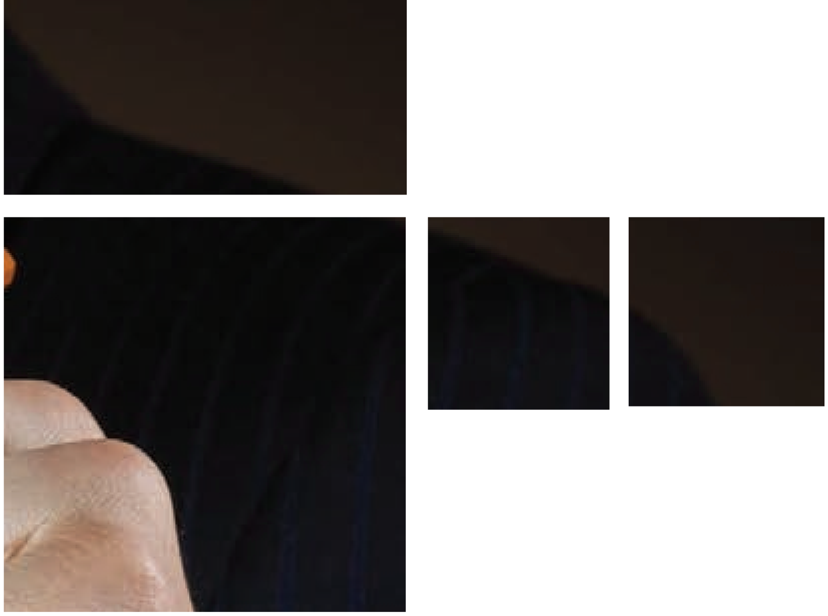
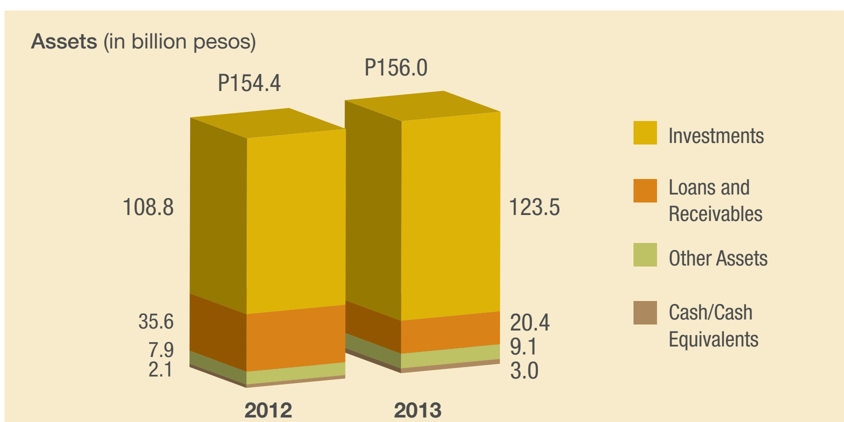


Financial **Performance**

PDIC implemented in 2013 an early adoption of the Philippine Financial Reporting Standards (PFRS) No. 9 on Financial Instruments. As a result, Investments, Loans Receivable and Loans Payable accounts were revalued and reclassified, as applicable. Adjustments were made in 2013 and balances and account titles of affected accounts in 2012 were restated to present comparable balances for the two periods.

Assets

The Corporation's aggregate resources grew by Php1.5 billion to Php156.0 billion. This is 1.0% higher than the Php154.4 billion re-stated balance for yearend 2012. Increases in cash and cash equivalents, investments and non-current assets held for sale were the sources of the favorable growth in resources.



Cash and Cash Equivalents

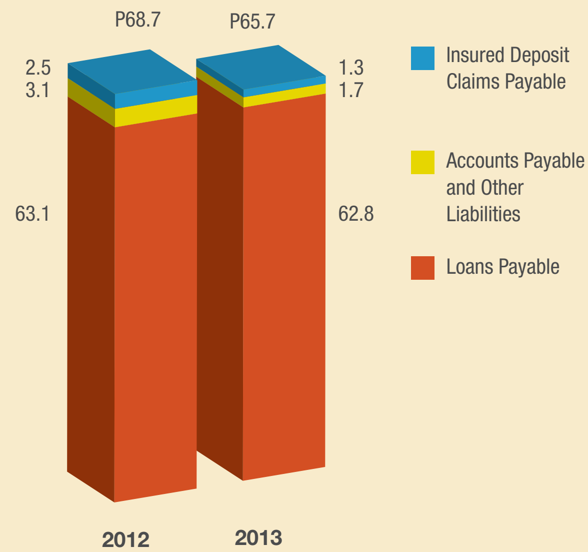
Cash and cash equivalents increased by 39.9%, or Php856.2 million, to Php3.0 billion from Php2.1 billion in 2012. The increase is primarily accounted for by net cash inflow from operating activities amounting to Php15.7 billion tempered by net cash outflows for investing and financing activities amounting to Php14.4 billion and Php395.7 million, respectively. Cash inflows were sourced from operating, investing and financing activities, namely: a) assessment collections of Php11.4 billion; b) investment earnings of Php6.3 billion; c) collections of loans and recoveries from assets acquired from banks totaling Php3.2 billion, of which Php3.1 billion came from settlement of loans by banks with outstanding financial assistance; d) proceeds from matured investment of Php122.0 billion; e) reimbursement by the National Government of Php1.9 billion for the government share in insured deposit payments in excess of Php250,000; f) refund of final taxes amounting to Php1.4 billion withheld from interest on investments by the Bureau of the Treasury (BTr) after receipt of Special Allotment Release Order (SARO) from the Department of Budget and Management (DBM); and g) other income and collections amounting to Php314.7 million.

Revaluation of foreign currency also had a positive effect on cash flow of Php0.07 million. Cash outflows which were significantly smaller than cash inflows represented payments for: a) placements in various investments amounting to Php136.4 billion; b) loans and interest payments to the BSP totaling Php3.9 billion; c) insured deposit payments of Php3.4 billion; d) operating expenses paid for by cash totaling Php1.2 billion; e) remittance of Php655.5 million dividends to the BTr; and f) other payments amounting to Php191.2 million. Payment of insured deposits was lower though by 47.1% from Php6.4 billion in 2012.

Loans and Receivables

Total loans and receivables posted a decline of 42.7% to Php20.4 billion, down by Php15.2 billion from Php35.6 billion registered in 2012. The decline was mainly driven by the Php3.1 billion settlement of loans by banks with outstanding financial assistance, provision of Php8.1 billion additional allowance for losses on Subrogated Claims Receivable (SCR) and Php1.6 billion on loans acquired from a commercial bank, net decrease of Php1.7 billion in the Due from National Government (NG) account for the NG share on insured deposits paid in excess of Php250,000, and amortization of day 1 loss of Php0.6 billion on interest-bearing loans revalued at amortized cost in accordance with the provisions of PFRS 9.

Liabilities (in billion pesos)[18]



Liabilities

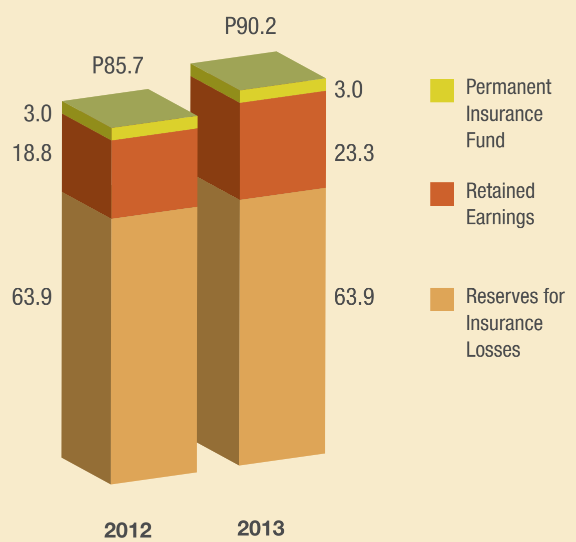
Total liabilities decreased by 4.3% to Php65.7 billion from Php68.7 billion in 2012 largely due to the drop in the Corporation's loans payable and insured deposit claims payable. The latter is composed of unpaid but validated insured deposits as of yearend, amounting to Php1.3 billion. The payment of loans and interest to Bangko Sentral ng Pilipinas (BSP) resulted in a decrease of Php370.5 million, reducing PDIC's loans payable from Php63.1 billion to Php62.8 billion. Accounts payable and other liabilities posted a decrease of Php1.4 billion, bringing the total amount to Php1.7 billion as of yearend compared to Php3.1 billion in 2012.

Deposit Insurance Fund (DIF)

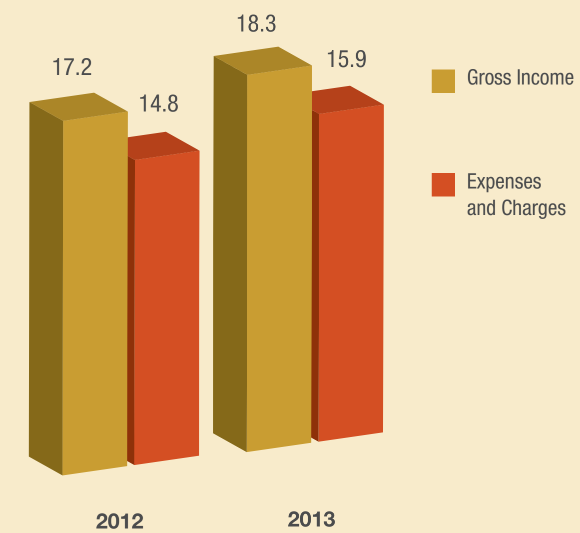
The DIF, the capital account of the Corporation, increased by 5.2%, or Php4.5 billion, to Php90.2 billion from Php85.7 billion in the previous year primarily due to the rise in retained earnings by Php4.5 billion from Php18.8 billion in 2012 to Php23.3 billion by yearend. There were no additional Reserves for Insurance Losses, which remained at Php63.9 billion. Retained earnings was net of dividends declared to the NG in the amount of Php1.1 billion which is 50% of Profit before Tax Subsidy.

[18] *Discrepancy in total is due to rounding off.*

Deposit Insurance Fund (in billion pesos)



Income and Expenses (in billion pesos)



Aside from the 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.

Gross Income

Gross income increased by 6.5% to Php18.3 billion from Php17.2 billion in the previous year. Assessments collected from member banks posted a 10.9% increase to Php11.6 billion from Php10.5 billion in 2012. This was buoyed by the increase in the total deposits of banks which reached Php7.6 trillion compared to last year's level of Php5.7 trillion. The increase in assessment collection reflected the upward trend of deposits in banks observed since 2010. Other income of Php319.2 million from sale of acquired assets, service income and other miscellaneous income also contributed to the increase in Gross Income. Income from investments and financial assistance decreased by 7.5% and 13.9%, respectively. Income from investments declined to Php5.4 billion from Php5.9 billion in 2012, mainly due to lower reinvestment rates on maturing placements in 2013. Compared to the previous yearend, market interest rates generally declined across all tenors by 18 to 91 basis points based on the prevailing PDEx rates. Likewise, as two banks settled their outstanding financial obligation to PDIC, income from financial assistance went down to Php932.1 million from Php1.1 billion in the previous year.

Expenses and Charges

Expenses and charges rose by 6.9% to Php15.9 billion from Php14.8 billion in 2012. The increase was largely due to the increase in Deposit Claims Pay-out Expenses despite decreases in Rehabilitation Cost (down by 40.3% or Php807.4 million) and Operating Expenses (down by 9.0% or Php132.3 million).

The Deposit Claims Pay-out Expenses[19] increased by 124.2% from Php4.4 billion in 2012 to Php9.9 billion in 2013, which are provisions for losses of 100% of outstanding SCR. Operating Expenses decreased by 9.0% from Php1.5 billion to Php1.3 billion.

For the detailed audited financial statements for 2013, refer to the attached separate publication.

[19] *Estimated allowance on deposit insurance claims paid and verified/validated claims accrued during the year.*

Historical **Highlights**

1963

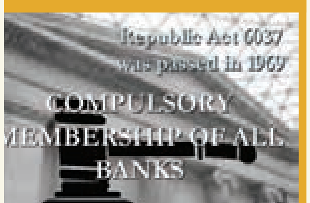
PDIC was created through Republic Act 3591 which provided, among others:

- deposit insurance coverage for Philippine banks
- maximum deposit insurance coverage of Php10,000 per depositor
- maximum assessment rate of $^{1}/_{12}$ of 1% of net assessable deposits per annum
- bank's voluntary membership with PDIC
- a three-man Board of Directors composed of the Governor of the Central Bank of the Philippines and two Directors appointed by the President of the Republic

1968

PDIC started its operations with the following as Board of Directors: Chairman and President Luis Tirso Rivilla, Central Bank Governor Alfonso Calalang and Mr. Basilio Estanislao

1969

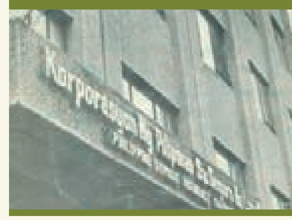


PDIC conducted special payout operations in eight closed uninsured banks using a Php15 million–fund appropriated under Republic Act 5517

1970

- Maximum assessment rate was adjusted to $^{1}/_{18}$ of 1% of net assessable deposits per annum
- First payout was conducted in the closed Rural Bank of Nabua (Camarines Sur) on July 6, 1970

1972



Republic Act 6426 was passed instituting the foreign currency deposit system and providing insurance coverage for said deposits

1963 1973

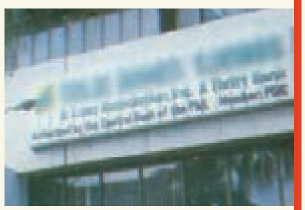
1977

Assessment rate was increased to a maximum of 1/15 of 1% of net assessable deposits per annum

1978

Maximum deposit insurance coverage was increased to Php15,000 (Presidential Decree 1451)

1981



The PDIC Chairman was appointed Liquidator of six rural bank ordered closed by the Monetary Board (Monetary Board Resolution No. 459)

1983

The PDIC Board was reconstituted with the Central Bank Governor as Chairman, Deputy Finance Minister as Member and PDIC President as ex-officio Member (Executive Order 890)

1984

Maximum deposit insurance coverage was increased to Php40,000 (Presidential Decree 1897)

PDIC made a preferred creditor over unsecured creditors (Presidential Decree 1897)

Trust accounts were excluded from insurance coverage (Presidential Decree 1897)

Minimum assessment premium paid by banks set at Php250 (Presidential Decree 1897)

1985

Assessment was adjusted to 1/12 of 1% of net assessable deposits per annum

1988

A World Bank report recommended a greater role for PDIC in the supervision and examination of banks and in handling distressed banks. It also recommended that PDIC be the mandatory receiver and liquidator of closed banks.

For the first time, PDIC was designated by the Monetary Board as Receiver of banks closed during the year

1983

Historical **Highlights**

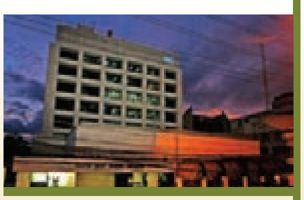
1991

PDIC joined a World Bank mission, with then Central Bank of the Philippines and Land Bank of the Philippines (LBP), which created the Countryside Financial Institutions Enhancement Program (CFIEP) aimed at transforming rural banks into formidable agents of countryside development

1992

Republic Act 7400 was enacted into law on April 13 amending Republic Act 3591, and providing the following:

- increased maximum deposit insurance coverage to Php100,000
- adjusted assessment rate to a maximum of 1/5 of 1% of total deposit liabilities per annum
- authority to conduct independent examination of banks
- assumption of liabilities as an additional mode of financial assistance
- PDIC was mandated as receiver and liquidator of banks ordered closed by the Monetary Board of the Bangko Sentral ng Pilipinas (BSP)



PDIC's office building located at 2228 Pasong Tamo Street, Makati City was inaugurated

1993

The Depositor Protection Bureau[19], a quick response action desk to service depositor queries and complaints, was launched

1995

Takeover and pre-settlement examination activities were merged resulting in a shorter turnaround time from bank takeover to start of claims settlement operations

1996

For the first time, a Philippine President visited PDIC. President Fidel V. Ramos graced the 33rd anniversary of the Corporation on June 22

1997

For the first time and in response to depositor complaints on inability to withdraw from their accounts, the PDIC examined deposit records in two operating banks through waiver of depositor rights under the Law on Secrecy of Bank Deposits

1993

[19] *Created in response to the "Mamamayan Muna, Bago Mamaya Na" program of the Civil Service Commission. The Bureau was renamed to Depositors Assistance Bureau in 1996, and to Public Assistance Department in 2010.*

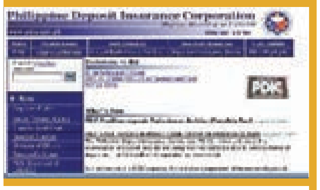
1998

Through grants from the the Asian Development Bank (ADB), foreign and local consultants were engaged to assist PDIC in enhancing its supervision mandate and the deposit insurance system drawing on international best practices to effectively deliver public service

2000

The General Banking Law of 2000 (Republic Act 8791) repealed PDIC's authority to conduct independent examination of banks

2001



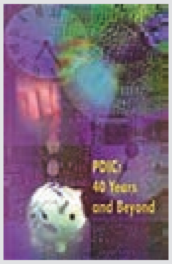
The PDIC website, www.pdic.gov.ph, was uploaded in the Internet

2002

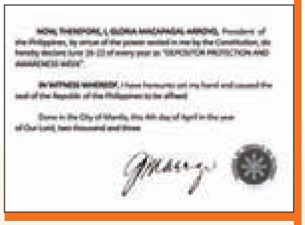
PDIC became a founding member of the International Association of Deposit Insurers (IADI)

The PDIC, as Liquidator, partnered with the National Home Mortgage Financing Corporation to implement the Community Mortgage Program, as a liquidation mechanism to benefit an urban poor group

2003

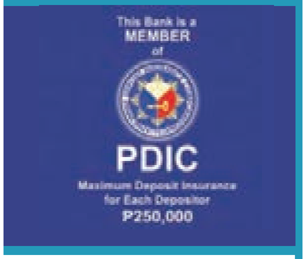


The book, "PDIC: 40 Years and Beyond" was published to document PDIC's four decades of public service



Proclamation No. 358 declared June 16 - 22 of every year as Depositor Protection and Awareness Week (DPAW) in the Philippines

2004



Republic Act 9302 amended the PDIC Charter with the following salient provisions:

- increase in the maximum deposit insurance coverage to Php250,000
- restoration of PDIC's authority to examine banks with prior approval by the Monetary Board
- grant of financial assistance to distressed banks under systemic risk conditions
- enhancement of PDIC's receivership and liquidation authority

The BSP, PDIC, Securities and Exchange Commission and Insurance Commission signed a memorandum of agreement to establish the inter-agency Financial Sector Forum tasked to institutionalize a regulatory framework to coordinate the supervision and regulation of the financial system

2003

Historical **Highlights**

2005

The BSP and the PDIC signed a memorandum of agreement on bank examination following the restoration of PDIC's authority to examine banks

The PDIC collaborated with the Department of Education (DepED) to develop Teacher's Guides on economics and values education and to successfully integrate information on savings consciousness and the role of PDIC into the high school curriculum under the PDIC Financial Literacy Project

2006

- PDIC co-hosted with the Asian Development Bank the 4th IADI Asia Regional Committee Meeting and International Seminar held on February 16-17

- PDIC was cited as the second best-governed Government Owned and Controlled Corporation in the country by the Institute of Corporate Directors

2007

PDIC expanded its financial literacy campaign to include private secondary institutions through a Memorandum of Understanding with the Coordinating Council of Private Educational Association (Cocopea)

In the same year, PDIC signed a tripartite linkage with the Commission on Higher Education (CHED) and the Philippine Council of Deans and Educators in Business (PCDEB) to include college students in its financial literacy campaign

The PDIC, in partnership with the BSP and bank associations, launched the 7 Habits of a Wise Saver under the Be a Wise Saver campaign to advocate responsible banking and wise saving to college students and personnel from the local government units

2008

The joint PDIC-DepED Financial Literacy Project won the "First Gawad Pampublikong Korporasyon Award" from the Office of the Government Corporate Counsel for its relevance to national development, benefits to the general public and impact on quality and productivity management

2009

MEMBER PDIC
PHILIPPINE DEPOSIT INSURANCE CORPORATION 1963
MAXIMUM DEPOSIT INSURANCE FOR EACH DEPOSITOR
P500,000

The PDIC Charter was amended with the passage of Republic Act 9576 that took effect on June 1, with the following salient provisions:

- increase in the maximum deposit insurance coverage to Php500,000
- flexibility to adjust the maximum deposit insurance coverage in case of a condition that threatens the monetary and financial stability of the banking system, subject to the approval by the President of the Philippines
- institutional and financial strengthening measures to support the increase in the maximum deposit insurance coverage

The PDIC and the Philippine Judicial Academy (PHILJA) forged ties to promote depositor protection and financial stability through seminars for the members of the Judiciary

2010

- The joint BSP-PDIC Strengthening Program for Rural Banks (SPRB) and PDIC Investor-Investee Helpdesk were launched

CERTIFICATION INTERNATIONAL
ISO 9001:2008
CIP/4303/10/02/692

- The PDIC's Quality Management System for claims settlement operations was ISO 9001:2008 certified

- The PDIC hosted the IADI Summit Conference and Claims Management Seminar in April in Cebu City
- The PDIC waived the filing of deposit insurance claims for accounts with balances up to Php5,000

2011

- The PDIC expanded the waiver for filing deposit insurance claims to Php10,000

- The PDIC, BSP and LBP signed the memorandum of agreement to implement the Strengthening Program for Cooperative Banks (SPCB)

2012

- The BSP and PDIC signed an agreement to expand the SPRB to SPRB Plus to promote a stronger rural banking sector

- The PDIC introduced the Project Management Approach to claims settlement to shorten the turnaround time in the servicing of deposit insurance claims

2012

PHILIPPINE DEPOSIT INSURANCE CORPORATION

1963

50 Years

1963-2013

Committed to Serve

Celebrating the 50th Anniversary

The Corporation's golden year in 2013 was made more meaningful through a series of year-round activities that aimed to showcase PDIC's service commitment to the depositing public.

"Moments of Service" Photo Contest

Anchored on the corporate service philosophy, "Committed to Serve", the PDIC launched the "Moments of Service" photo contest in the first quarter of the year. It aimed to immortalize moments of public service commitment exemplified by PDIC personnel whether on field or at the home office. Winning entries to the photo contest were exhibited during the PDIC-hosted IADI 39th Executive Council Meeting and International Conference on Financial Inclusion in June. They were also displayed during PDIC's 50th anniversary night celebration at the Philippine International Convention Center (PICC) on June 21, 2013.

"Moments of Service" photo exhibit at the Makati Shangri-La during the IADI International Conference on June 20, 2013.

50th Anniversary **Celebration**

39th IADI Executive Council Meeting and International Conference on Financial Inclusion

Highlighting the PDIC's 50th anniversary celebration is the hosting of the 39th International Association of Deposit Insurers (IADI) Executive Council Meeting and International Conference on Financial Inclusion at the Makati Shangri-La, Makati City on June 17-21, 2013.

This is the first time the Philippines hosted the meeting of the IADI Executive Council. The Executive Council is the highest policymaking body of the IADI which consists of 25 elected representatives from deposit insurance agencies worldwide. The PDIC is a member of the Executive Council and is represented by its President, Mr. Valentin A. Araneta.

Apart from the high-level Executive Council meetings, there were also separate sessions for the meetings of IADI Standing Committtees on Research and Guidance, Membership and Communications, Training and Conference, Data and Survey, Finance and Planning, and Audit.

The international event hosted by the PDIC helped showcase the economic gains of the Aquino administration through improved governance.
The international hosting was also a platform to reiterate PDIC's commitment to enhance business processes through benchmarking with international best practices.

After the meetings, PDIC hosted an International Conference with the theme, "Financial Inclusion: Challenges and Issues for the Deposit Insurer", on June 20, 2013 at the Makati Shangri-La. The Conference brought together over 200 leaders and representatives of different deposit insurance agencies worldwide, as well as financial regulators, and delegates from multi-lateral institutions and public sector institutions. It also helped unveil the financial inclusion initiatives of the country and its efforts to make growth more inclusive.

Finance Secretary and PDIC Chairman Cesar V. Purisima delivered the keynote address of the Conference. In his keynote address, Secretary Purisima underscored the importance of deposit insurance in ensuring financial stability citing that deposit insurance is a key pillar in the attainment of sustainable strong growth needed in alleviating poverty. He also stressed that regulation and deposit insurance are very important in making sure that the financial system is stable.

The Conference was divided into four sessions: (1) Global Trends and Challenges on Financial Inclusion, (2) Financial Inclusion and Inclusive Growth, (3) Financial Inclusion and Deposit Insurance, and (4) Financial Literacy and Public Awareness.

The Conference underscored the critical role of financial inclusion in achieving high and sustained growth as well as the importance of commitment on the part of the deposit insurance agencies and other financial institutions in advancing financial inclusion and improving people's access to the formal financial sector. Recognizing the importance of deposit insurers, the Conference stressed the need for deposit insurance agencies to contribute to financial inclusion through financial education and outreach activities as part of public awareness initiatives. It also highlighted the need to create a national strategy for financial inclusion to support sustainable efforts in financial education, consumer protection and public awareness.

Special Activities

Delegates to the IADI Executive Council and International Conference attended several social and cultural events to foster camaraderie among delegates of different cultures and to showcase the country's tourism and world-class talents. They were brought to the Metropolitan Museum of Manila for a special dinner hosted by the BSP Governor.

Under the auspices of the Department of Tourism (DOT) and the Tourism Promotions Board, IADI delegates and their spouses were treated to a Tour of the Walled City of Manila on June 18, 2013 as part of the special spouses' program.

They also went to the Ayala Museum for a cultural night of songs and dances sponsored by the PDIC. Right after the International Conference, a Broadway-themed cocktail/reception at the Makati Shangri-La was held. The special night featured world-class local artists.

Mostly first-time visitors to the country, the delegates appreciated a glimpse of the turn of the century Manila, and were delighted with a special Philippine lunch cuisine at the Intramuros. Another tour was held in Tagaytay City allowing the delegates to wind down after the week-long meeting and conference and experience one of the country's more popular tourist spots, the Taal Volcano.


Years

After its public debut during the PDIC-hosted IADI International Conference in June 2013, Usapang Pera was officially launched in August 2013 among PDIC partner-agencies such as the BSP, SEC and IC.

Usapang Pera: Mga Dapat Alamin, A PDIC Guidebook on Basic Banking & Financial Transactions

A flagship public awareness campaign initiated by the PDIC during the year was the development and publication of Usapang Pera: Mga Dapat Alamin, a PDIC Guidebook on Basic Banking and Financial Transactions. The Guidebook resulted from the successful collaboration of the PDIC and bestselling personal finance author, Efren Ll. Cruz, a financial literacy advocate.

The Guidebook aims to enhance the financial literacy of the financially vulnerable sectors of society including overseas Filipino workers (OFWs) and their beneficiaries, senior citizens, retirees and first-time bank account holders, socio-civic organizations, and the academic community. These target groups require guidance in their financial decisions to ensure that their hard-earned savings are properly managed.

Filled with engaging comic-type illustrations, Usapang Pera contains easy-to-understand discussions on the history of money, the importance of saving, the concept of interest rates, the scope and limitations of deposit insurance, financial products to put one's money and the power of financial information. The Guidebook contains practical information to enable Filipinos to make informed and responsible financial decisions.

Usapang Pera made a public debut during the PDIC-hosted IADI International Conference on financial inclusion held at the Makati Shangri-La where it was launching to conference delegates from deposit insurance agencies worldwide. On August 14, 2013, the Guidebook was officially launched at the Dusit Thani Hotel with its partner-agencies in attendance. Present during the launching were highly esteemed officials from the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission (SEC), the Insurance Commission (IC), and representatives from different bank associations. BSP Deputy Governor Nestor A. Espenilla, Jr. delivered the keynote address during the launch while author Efren Ll. Cruz presented an overview of the Guidebook. The launch coincided with the uploading of the Guidebook's electronic copy to the PDIC website. Usapang Pera can be downloaded for free from the PDIC website. As of yearend, the Guidebook has been downloaded more than 2,000 times since its launch in August.

Usapang Pera, is one of the main learning materials under the public awareness campaign of the PDIC, the Government Service Insurance System and the Social Security System for employees of the public and private sectors. It was also nominated as an entry to the 19th Anvil Awards under the special publications category for public relations, the results of which will be announced in 2014.

The PDIC partnered with the Philippine Postal Corporation (Philpost) in December 2013 for the issuance of the PDIC commemorative stamp that aims to promote savings awareness and financial literacy. PDIC President Valentin A. Araneta and Philpost Postmaster General and CEO Ma. Josefina dela Cruz led the turnover ceremonies in December 2013.

PDIC Commemorative Stamp and Philatelic Products

During the anniversary year, PDIC also issued commemorative stamp in partnership with the Philippine Postal Corporation (Philpost) to promote savings awareness, financial literacy and financial inclusion. The stamp feature also paid tribute to the significant contribution of the PDIC to the country's economic growth.

The Philpost circulated the commemorative stamps and first day covers on December 5, 2013, in more than 1,000 post offices nationwide and in over 190 Philippine postal administrations worldwide. The presence of stamps worldwide is seen to contribute to public awareness on deposit insurance for Filipinos based abroad.

A commemorative stamp feature is an act of the state and is subject to the approval of the Historical Commission of the Philippines, the National Commission for Culture and the Arts and the Philpost Stamp Committee. The PDIC commemorative stamps will form part of the archives of history.

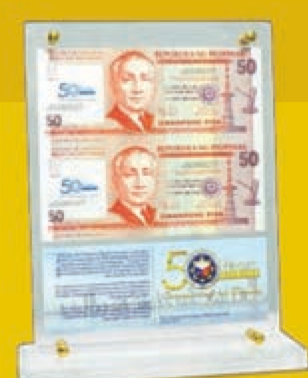
The design of the PDIC commemorative stamp was based on the winning entry to the PDIC's "Committed to Serve" poster-making contest held in 2012.

PDIC Commemorative 50-piso bills

The limited commemorative edition of the Philippine 50-piso legal tender bank note that circulated in the financial system in June 2013 paid homage to PDIC's 50 years of commitment to depositor protection and financial stability. The issuance of legal tender bank notes was approved by the President of the Philippines upon endorsement by the Numismatic Committee of the BSP and the Monetary Board. The bank note feature is in recognition of PDIC's significant role as a financial safety net and financial regulator. The circulation of the PDIC commemorative 50-piso bill also aims to enhance public awareness about the PDIC and the concept of deposit insurance.

The commemorative bill presented key elements of the PDIC 50th anniversary logo and its corporate customer philosophy, "Committed to Serve." Limited copies of the 50-piso uncut commemorative bill were also launched during the PDIC-hosted IADI International Conference on Financial Inclusion held on June 20, 2013 and handed out as special tokens to the guests and delegates.

In recognition of PDIC's significant role as a financial safety net, the BSP issued for public circulation legal tender 50-piso PDIC commemorative bills.



50th Anniversary **Celebration**

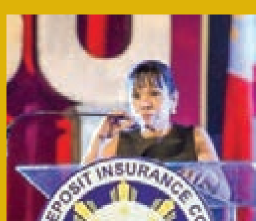


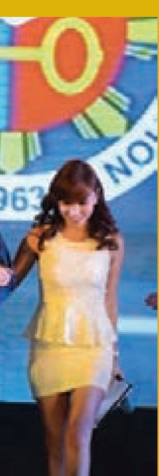










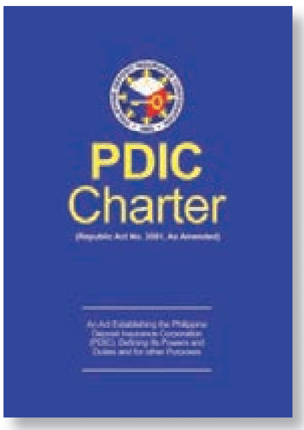


Shining. Shimmering. Splendid.

A toast to PDIC and its half-century of committed service to the depositing public highlighted the Corporation's 50th Anniversary Celebration, with the theme, "Shining, Shimmering, Splendid." Held at the Philippine International Convention Center (PICC) on June 21, 2013, the celebration was filled with highly spirited camaraderie among employees. The workforce's pledge of commitment to their work in PDIC was written and immortalized on the giant Commitment Wall installed at the venue. President Valentin A. Araneta led the signing of the Commitment Wall on June 17.

A grand production number involving PDIC personnel exemplifying service commitment, an audio-visual presentation chronicling PDIC's 50 years, and the awarding of loyalty and service honorees under the PRAISE Program highlighted the 50th Anniversary Program. The evening festivity may have been simple yet the mood was fun and festive, as it was a truly golden and meaningful event. The night's celebration paid homage to 50 years of PDIC's committed service to the depositing public and served to inspire the whole workforce to continue working together to fulfill the Corporation's mandate.

In Pursuit of PDIC Charter Amendments: **Instituting Much-Needed Reforms to the Deposit Insurance System**



The PDIC continues to seek ways to further enhance organizational and operational efficiency, and align its authorities, policies and processes with international standards to enable it to better respond to domestic and global financial challenges. During the year, the PDIC started drafting and fine-tuning the proposed amendments[20] to the 50-year-old PDIC Charter starting with the creation of a Committee on Legislative Initiatives headed by Executive Vice President Cristina Q. Orbeta (Receivership and Liquidation Sector). The Committee is ably assisted by the Legal Affairs Sector.

The proposed legislation aims to appropriately equip PDIC with the necessary authorities and tools to enable it to effectively, efficiently and responsively carry out its mandates and public policy objectives. The amendments are focused on introducing significant reforms to the deposit insurance system particularly its role in the resolution of ailing banks as a means to provide protection to the depositing public and help maintain financial stability. The amendments are designed to minimize disruption in the financial system, provide enhanced depositor protection, and promote financial inclusion by providing continued access to banking services in areas affected or that could be affected by bank closures.

Among the proposed amendments to the PDIC Charter are:

1. **Deposit Insurance Amendments and Access to Deposits –** The immediate payment of deposit insurance to eligible depositors is a paramount concern of PDIC as Deposit Insurer. The claims settlement process is continuously being reviewed and enhancements are being implemented to hasten the payout process. To ensure a speedier claims settlement process, the PDIC is pushing for authority to access depositor information and records for deposit insurance purpose only. This limited access to deposit information is based on the principle that the Deposit Insurer should know what it is insuring. Banks are proposed to be authorized to disclose depositor information to PDIC while PDIC will be bound by the same requirement on confidentiality of deposits imposed on banks. Allowing access to deposit records will enable PDIC to determine the extent of insured deposits and the risks posed to the Deposit Insurance Fund (DIF) as well as hasten the process of determining valid deposits and depositors should a bank be ordered closed. It will also enable PDIC to determine the extent of the bank's liabilities and appropriate resolution strategy to be adopted.

   PDIC is also seeking authority to terminate the deposit insurance status of banks which do not comply with the Cease and Desist Order of the PDIC from engaging in unsafe and unsound banking practices. Authority to charge risk-based premium and impose special assessments under certain specified conditions is likewise being sought.

2. **New Resolution Framework to deal with problem banks and the removal of the 90-day receivership period –** This will enable PDIC to take a more proactive role in resolving problem banks even before they are closed. Under the proposal, the resolution authorities of PDIC will be subject to certain triggers.

   The framework will enable the PDIC to take a more proactive role in the resolution of a failing bank even while the bank is still open which is when rehabilitation should happen and not when the bank is already closed. To support this resolution framework which prescribes a 180-day timeline to work on the rehabilitation of the bank, PDIC should be able to conduct an independent evaluation of the problem bank and recommend appropriate resolution options.

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[20] The previously proposed legislation entitled Closed Bank Liquidation Act (CBLA) was re-filed in Congress as House Bill No. 14 by Rep. Al Francis C. Bichara on July 1, 2013 and as House Bill No. 1787 by Representatives Rufus B. Rodriguez and Maximo B. Rodriguez, Jr. on July 24, 2013.

The Committee on Legislative Initiatives pursued the drafting and fine-tuning of the proposed legislation to amend the PDIC Charter towards enhanced resolution and liquidation framework to help protect depositors.

Should the conclusion of the resolution option fail, the framework provides for a seamless transition from closure to liquidation. This means doing away with the current 90-day receivership period.

3. **Enhanced Liquidation Authorities –** In the event the closure of a bank becomes inevitable even after all resolution efforts have been exerted, how to preserve critical banking functions and enhance the recovery of creditors' claims against the assets of the closed bank presents a challenge. Towards this end, PDIC's mandate as Liquidator needs to be strengthened by making available other modes of liquidating a closed bank, such as, purchase of assets and/or assumption of liabilities together with its branch licenses.

4. **Governance and Institutional Capability Building Measures –** To support the proposed enhanced authorities of the PDIC and to effectively implement its mandates, there is a need to strengthen the Corporation structurally and internally. Under the proposed legislation is a move to accord the PDIC the same fiscal and administrative autonomy being enjoyed by the Bangko Sentral ng Pilipinas (BSP). This will also enable the Corporation to maintain a highly competent, professional, dedicated and reasonably compensated workforce to enable it to attract the right personnel.

5. **Financial Strengthening Measures –** Amendments to enhance the Corporation's operational and fiscal independence and to expand its investment and fund management options are also being proposed to enable the PDIC to protect and accelerate the growth of the DIF to meet targeted levels and to respond quickly to the evolving financial landscape.

6. **Additional Sanctions and Increased Penalty –** This involves imposing higher penalties for various offenses, including performing acts inimical to the interest of a bank. New offenses are sought to be included and penalized, such as filing a fictitious and/or fraudulent claim, certifying the validity of fictitious deposit liabilities, bank fraud, and conflict of interest transaction of bank officers, directors and stockholders.

The fine-tuning of the Charter amendments was ongoing as of yearend, after which consultative meetings and workshops with stakeholders such as the Legislature, the BSP and the bank associations shall be scheduled to pave the way for the filing of the bill by the House of Representatives and the Senate.

BOARD OF **DIRECTORS**

HON. CESAR V. PURISIMA
Finance Secretary
Chairman

HON. VALENTIN A. ARANETA
PDIC President
Vice Chairman

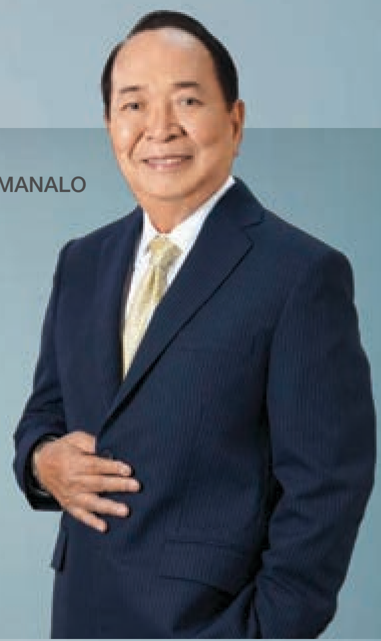
HON. AMANDO M. TETANGCO, JR.
BSP Governor
Director

HON. PROTACIO T. TACANDONG
Director

Board Governance Committee
Chairman

Board Audit Committee
Chairman

Board Risk Management Committee
Member



HON. ROGELIO W. MANALO
Director

Board Risk Management Committee
Chairman

Board Governance Committee
Member

Board Audit Committee
Member

HON. ROSALIA V. DE LEON
National Treasurer
Alternate Director

Board Governance Committee
Member

Board Risk Management Committee
Member

HON. NESTOR A. ESPENILLA, JR.
BSP Deputy Governor
Alternate Director

Board Governance Committee
Member

Board Audit Committee
Member

MANAGEMENT **COMMITTEE**

VALENTIN A. ARANETA
President

Executive Committee
Chairperson

CRISTINA Q. ORBETA
Executive Vice President
Receivership and Liquidation Sector

Executive Committee
Member

IMELDA S. SINGZON
Executive Vice President
Examination and Resolution Sector

Executive Committee
Member

SANDRA A. DIAZ
Senior Vice President
Deposit Insurance Sector

Executive Committee
Member

MA. ANA CARMELA L. VILLEGAS
Senior Vice President
Management Services Sector

Executive Committee
Member

ROMEO M. MENDOZA, JR.
General Counsel
Legal Affairs Sector

Executive Committee
Member

ALMA TERESA R. MALANOG
Senior Vice President
Corporate Services Sector

Executive Committee
Member

MANAGEMENT **COMMITTEE**

MA. ANTONETTE I. BRILLANTES-BOLIVAR
First Vice President
Litigation and Investigation Group

ELIZABETH E. OLLER
First Vice President
Claims Group

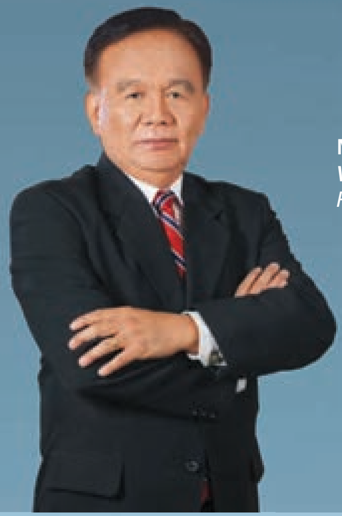
JOSEFINA J. VELILLA
First Vice President
Resolution Group

EPHYRO LUIS B. AMATONG[21]
Vice President
Office of the Board Chairman

GERONIMO V. AMBE
Vice President
Comptrollership Group

IRENE DL. ARROYO
Vice President
Treasury Group

[21] *Resigned on September 26, 2013*



MARCELO E. AYES
Vice President
Risk Management Office

TEODORO D. BANAAG
Vice President
Office of the President

ADALZON P. BANOGON[22]
Vice President
Asset Management and Disposal Group

MARINELLA O. BELGADO[23]
Vice President
Office of the Board Chairman

EDEN TITA J. DIZON
Vice President
Examination Group I

SHIRLEY G. FELIX
Vice President
Examination Group II

[22] *Assumed on March 3, 2014*
[23] *Assumed on May 19, 2014*

MANAGEMENT **COMMITTEE**

TERESA H. GARCIA
Vice President
Receivership and Liquidation Support Group

TERESITA D. GONZALES
Vice President
Loans Management Group

MA. ESTER D. HANOPOL
Vice President
Corporate Planning Group

NINA NOREEN A. JACINTO
Vice President
Administrative Services Group

CYNTHIA B. MARCELO
Vice President
Insurance Group

FELY D. REYES
Vice President
Internal Audit Group

MARIA BELINDA C. SAN JOSE
Vice President
Information Technology Group

NANCY L. SEVILLA-SAMSON
Vice President
Receivership and Bank Management Group

JOSE G. VILLARET, JR.
Vice President
Corporate Affairs Group

BASILIO O. VISAYA, JR.
Corporate Secretary
Vice President
Corporate Governance Office

NILO ALDRIN M. LUCINARIO
Officer-in-Charge
Legal Services Group

IRMINA D. SICIO
Officer-in-Charge
Human Resource Group

List of **Officers**
AS OF DECEMBER 31, 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

ANGELITO G. DOBLE
Executive Assistant V

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[24]
Vice President

ALEXANDER N. DOJILLO
Assistant Department Manager II

MA. CARMEN ROSARIO Z. RECITAS
Assistant Department Manager II

NELSON G. PORTACIO
Corporate Executive Officer II

OFFICE OF THE BOARD VICE CHAIRMAN

ERWIN D. STA. ANA
Executive Assistant V

OFFICE OF THE MEMBERS OF THE BOARD FROM THE PRIVATE SECTOR

PILAR Y. LEDESMA
Executive Assistant IV

VAN DENVER R. VIZCARRA
Executive Assistant IV

RISK MANAGEMENT OFFICE

MARCELO E. AYES
Vice President

MARY ROSALIND A. ALARCA
Department Manager III

MICHELLE LD E. ESTOR
Corporate Executive Officer II

Property Appraisal Department

RECAREDO LEIGHTON A. TAMAYO
Department Manager III

MINVILUZ O. RUBRICO
Assistant Department Manager II

CORPORATE GOVERNANCE OFFICE

BASILIO O. VISAYA, JR.
Vice President

DOFEL S. FERRER
Corporate Executive Officer II

INTERNAL AUDIT GROUP

FELY D. REYES
Vice President

Internal Audit Department I

VIVENCIO M. MANIAGO
Department Manager III

Internal Audit Department II

JOSIE JANE C. ABLIR
Department Manager III

MARILOU G. MIRANDA
Corporate Executive Officer II

Information Technology Audit Department

NANCY M. MENDOZA
Department Manager III

LUDIVINA P. CARLOS
Assistant Department Manager II

OFFICE OF THE CORPORATE SECRETARY

BASILIO O. VISAYA, JR.
Corporate Secretary

GEODERICK E. CARBONELL
Assistant Department Manager II

CORPORATE AFFAIRS GROUP

JOSE G. VILLARET, JR.
Vice President

NAPOLEON P. MICU
Corporate Executive Officer II

Corporate Communications Department

AURAMAR D. CALBARIO
Department Manager III

MARIA AURORA A. MENDOZA
Assistant Department Manager II

Institutional Relations Department

JOSE G. VILLARET, JR.
Officer-in-Charge

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

NIÑO RAY L. VILLALUNA
Officer-in-Charge

Examination Department II

MARLOWE F. MIKIN
Department Manager III

RUBEN C. CORDERO
Corporate Executive Officer II

EXAMINATION GROUP II

SHIRLEY G. FELIX
Vice President

Examination Department III

DENNIS Y. ABIERA
Department Manager III

BEATRIZ R. ANGELES
Corporate Executive Officer II

Examination Department IV

ANGEL B. OBRERO
Department Manager III

RESOLUTION GROUP

JOSEFINA J. VELILLA
First Vice President

Resolution Department I

JOSEFINA J. VELILLA
Officer-in-Charge

MADELEINE C. RIBAY
Corporate Executive Officer II

[24] *Resigned on September 26, 2013*

MAILEEN M. MALOLES
Corporate Executive Officer II

Resolution Department II

FLORDELIS M. DATU
Department Manager III

FREDY S. GALOSMO
Assistant Department Manager II

RHEA S. AUSTRIA
Corporate Executive Officer II

EXAMINATION AND RESOLUTION SUPPORT GROUP

IMELDA S. SINGZON
Officer-in-Charge

Bank Statistics Department

CHRISTOPHER G. SUGUITAN
Department Manager III

Examination and Resolution Support Department

ELIZABETH R. PADOLINA
Officer-in-Charge

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

TEODORO JOSE D. HIRANG
Officer-in-Charge

ANA ROSA E. VIRAY
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

FLORANTE D. LUCOS
Corporate Executive Officer II

Bank Termination Department

NANCY L. SEVILLA-SAMSON
Officer-in-Charge

ROSALINA G. MORALES
Assistant Department Manager II

SUSANA R. CAROLINO
Corporate Executive Officer II

ASSET MANAGEMENT AND DISPOSAL GROUP

TERESITA D. GONZALES
Officer-in-Charge

Asset Management and Disposal Department I

JOSETTE SONIA H. MARCILLA
Department Manager III

ARIEL M. ALCOBA
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
Assistant Department Manager 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

MA. BERNADETTE R. SANCHEZ
Officer-in-Charge

JOSEFINA R. FAJARDO
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
Vice President

Records Control and Logistics Department

TERESA H. GARCIA
Officer-in-Charge

EDITHA D. TUMANG
Assistant Department Manager II

Asset Administrative Services Department

DOROTHY C. EAMILAO
Department Manager III

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

List of **Officers**

AS OF DECEMBER 31, 2013

DEPOSIT INSURANCE SECTOR

SANDRA A. DIAZ
Senior Vice President

CLAIMS GROUP

ELIZABETH E. OLLER
First Vice President

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
Assistant Department Manager 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

JOAN S. DE LEON
Corporate Executive Officer II

Insurance Department

CYNTHIA B. MARCELO
Officer-in-Charge

DAISY ANN T. ALAGOS
Corporate Executive Officer II

Insurance Support Department

MA. THERESA B. SALCOR
Department Manager III

EMERSON M. LOMIO
Assistant Department Manager II

LYN D. BAGNES
Corporate Executive Officer II

SALUD E. MARGAJAY
Corporate Executive Officer II

NOELA C. MIÑOZA
Corporate Executive Officer II

Public Assistance Department

CYNTHIA B. MARCELO
Officer-in-Charge

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
First Vice President

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

SHEBA D. JAVIER
Legal Officer V

Investigation Department

MANUEL C. TAN
Assistant Vice President

ARISTON P. AGANON
Legal Officer V

ROMEL A. APARICIO
Legal Officer V

FERNAN REAGAN P. ZAFRANCO
Legal Officer V

External Counsel Department

MYLENE F. PASAMBA
Department Manager III

VERONICA T. IGOT
Legal Officer V

MARIA DELIA V. OSTERLÉ
Legal Officer V

LEGAL SERVICES GROUP

NILO ALDRIN M. LUCINARIO
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

MA. ANA CARMELA L. VILLEGAS
Senior Vice President

CORPORATE PLANNING GROUP

MA. ESTER D. HANOPOL
Vice President

Planning Department

MA. ESTER D. HANOPOL
Officer-in-Charge

JOSE M. MULATO
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

DANILO Q. REGALA
Corporate Executive Officer II

Accounting Department

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

INFORMATION TECHNOLOGY GROUP

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

Technical Support Department

RENAR M. GONZALES
Department Manager III

MADELAINE BARBARA M. FERNANDEZ
Assistant Department Manager II

JOSE P. MIANO
Assistant Department Manager II

CORPORATE SERVICES SECTOR

ALMA TERESA R. MALANOG
Senior Vice President

JOSETTE O. RESURRECCION
Assistant Department Manager II

HUMAN RESOURCE GROUP

MA. TERESITA V. LEIDO
Vice President

Human Resource Administration Department

MARIE HAZEL V. CIRIACO
Department Manager III

VIRGILIO C. ESTANISLAO
Corporate Executive Officer II

ARLENE T. PANGILINAN
Corporate Executive Officer II

MA. LOURDES R. RELUCIO
Corporate Executive Officer II

MA. TERESA C. VESTAL
Corporate Executive Officer II

Organization Development Department

IRMINA D. SICIO
Department Manager III

ASUNCION S. CALAPAN
Assistant Department Manager II

Training Institute

DIVINA F. CAVESTANY
Department Manager III

EUGENE V. BORLONGAN
Assistant Department Manager II

DORIS P. ROMERO
Corporate Executive Officer II

ADMINISTRATIVE SERVICES GROUP

NINA NOREEN A. JACINTO
Vice President

Procurement and Property Department

NINA NOREEN A. JACINTO
Officer-in-Charge

RICARDO D. ANTONIO
Corporate Executive Officer I

MA. LUZ B. FRANCISCO
Corporate Executive Officer I

ANALINDA C. LAO
Corporate Executive Officer I

TRINIDAD F. MAGSAKAY
Corporate Executive Officer I

General Services Department

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, 2013

A
ABADILLA, FERNANDO S.
ABAN, ALEXIS A.
ABELEDA, SONIA A.
ABIERA, DENNIS Y.
ABLIR, JOSIE JANE C.
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.
ALARCA, MARY ROSALIND A.
ALCOBA, ARIEL M.
ALEJANDRINO, LILYBETH H.
ALONZO, REYNOLD P.
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.
ANYAYAHAN, NOREEN F.
APARICIO, ROMEL A.
APOLINARIO, CELY E.
AQUINO, ERNESTO C.
ARANETA, VALENTIN A.
ARELLANO, ROSITA R.
ARIAS, THELMA B.
ARIZALA, AURA MARINA R.
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.
BAJARO, ROSANNA CRIS G.
BALASABAS, MARILOU M.
BALTAZAR, ERNAN L.
BALTAZAR, MA. PAZ V.
BANAAG, TEODORO D.
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.
BOBIS, HEIDI S.
BOLIVAR, MA. ANTONETTE B.
BOÑULA, FERNANDO S.
BOONE, ANICETA A.
BORJA, JESUS MA. JOSE L.
BORJAL, ROLLY C.
BORLONGAN, EUGENE V.
BUENVIAJE, CLEOFE C.
BUGAYONG, DANILO B.
BUISING, MARYMER D.
BULAUN, VIA BING T.
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, MA. GUADALUPE C.
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.
CASTILLO, JESSICA DIANNA
ROSE L.
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.
CHU, JONATHAN DAVID S.
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.
CRISPINO, JESSEL I.
CRUZ, ERWIN C.
CUISON, MARY CATHERINE Z.
CUSTODIO, ANGELITO A.

D
DABI, SANDRA V.
DADAL, ROSELLE MAY R.
DADPAAS, MIRIAM B.
DAGOHOY, ABIGAIL R.
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, 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.
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.
DOBLE, ANGELITO G.
DOJILLO, ALEXANDER N.
DRILON, LUDOVINA V.
DULALIA, ROGELIO JR. P.
DUMALAGAN, DORAM T.
DUMBRIQUE, DAHLIA E.
DURANA, EUNICE L.

E
EAMILAO, DOROTHY C.
ECHIVERRI, AIMEE G.
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.
FAURILLO, OPAYLYN S.
FELIX, SHIRLEY G.
FELIX, YASMIN CORAZON B.
FERNANDEZ, MADELAINE
BARBARA M.
FERNANDO, JUDALYN L.
FERNANDO, MODESTO JR. Y.
FERRER, DOFEL S.
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, 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
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.

J
JACINTO, NINA NOREEN A.
JACOB, JAMAEL A.
JANDA, ERICKZON M.
JANDAYAN, MARY ROSE A.
JANDUSAY, JOEL B.
JAO, JASON C.
JASMIN, RONALD ALLAN B.
JAVIER, SHEBA D.
JAVILLO, JONATHAN L.
JOSE, JACQUELINE O.
JOSE, NAPOLEON D.
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.
LANUEVO, MARIA IVY J.
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.
LIBRE, LEIZL D.
LIM, LOLITA M.
LIMQUECO, FELMA A.
LIQUIGAN, XANDREX FIDELIS A.
LLANA, MARIA FLORA C.
LOMIO, EMERSON M.
LOYOLA, MICHELLE C.
LUANZON, MA. POLA S.
LUCINARIO, NILO ALDRIN M.
LUCOS, FLORANTE D.
LUMAQUEZ, JEFFREY L.
LUMIGUEN, JANICE E.

M
MAAN, ALICIA J.
MACADANGDANG, GLINDA R.
MACASPAC, JEROME B.
MACASPAC, MARICEL M.
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.
MATERUM, IVY JOY A.
MATUTINA, CAROLINE R.
MELO, EMILY V.
MENDOZA, JOSELITO S.
MENDOZA, LIWANAG R.
MENDOZA, LUISITO Z.
MENDOZA, MARIA AURORA A.
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.
MONES, EMMANUELITA R.
MONTES, JOSEFINA F.
MONTEVERDE, HELEN EVANGELINE Q.
MOOC, JOMAR E.
MORALES, ROSALINA G.
MORENO, LORNA C.
MORILLO, JOCELYN A.
MOZAR, ELLEN M.
MULATO, JOSE M.
MUSNI, MELANIE V.

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

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OBRERO, ANGEL B.
OCAMPO, SHEILA THERESE P.
OCTAVO, WINNA FE B.
OESTERLÉ, MARIA DELIA V.
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.
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, 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.

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.
REGALA, DANILO Q.
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.
RODRIGUEZ, PRECIOUS JOY C.
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.

S
SABINO, MA. DIVINA E.
SAGARIO, OLIVIA V.
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.
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.
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.

T
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.

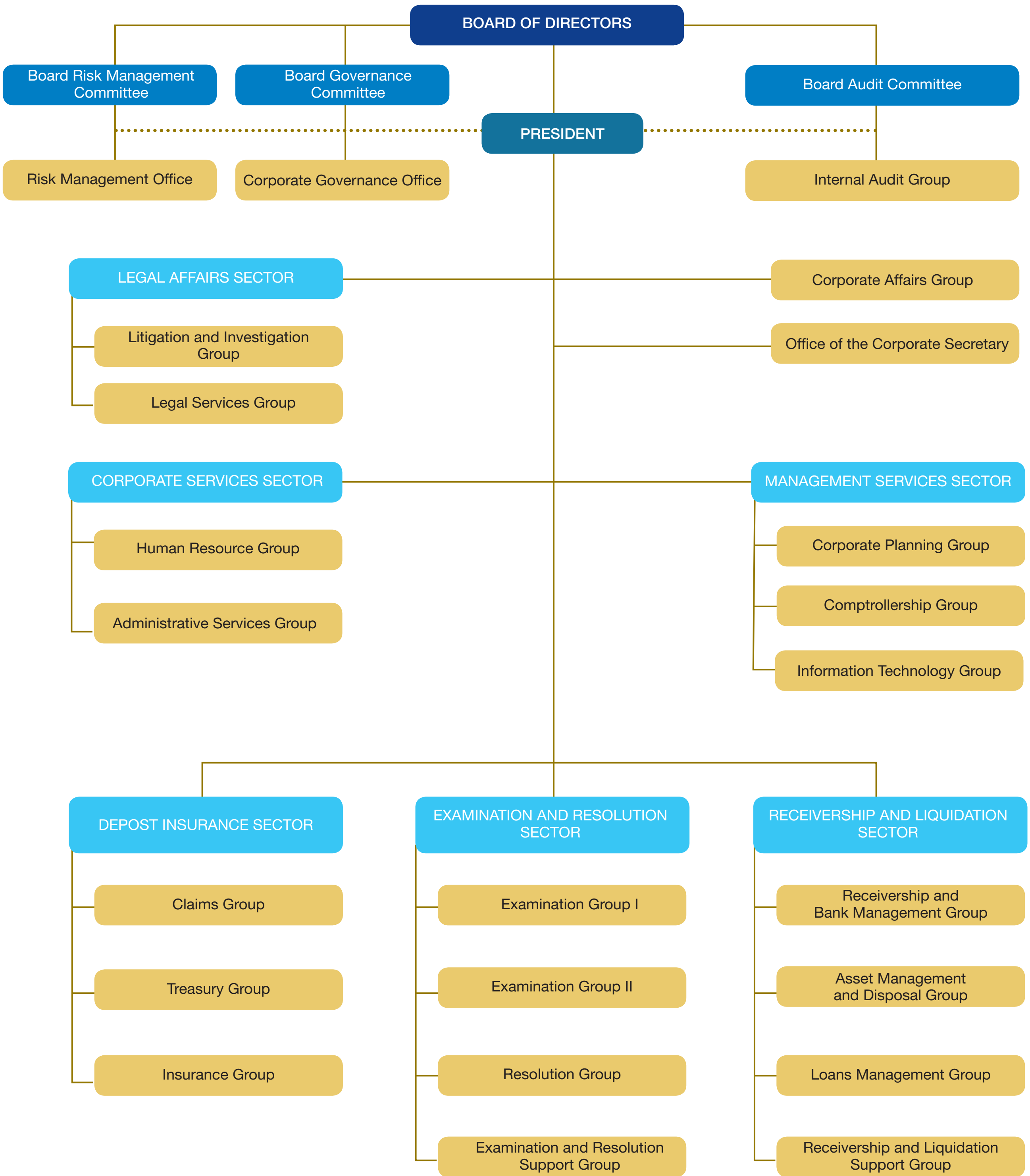
U
UNLAYAO, JANNEL G.

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.
VELEZ, RENATO P.
VELILLA, JOSEFINA J.
VENTAJAR, KAREN DT.
VERGARA, NORMAN Q.
VESTAL, MA. TERESA C.
VICTORIA, GENOVEVA A.
VIDAL, LYRA ANGELA M.
VILLALUNA, NIÑO RAY L.
VILLANUEVA, MA. THERESA S.
VILLANUEVA, MARGARITA V.
VILLAPAÑA, JANY T.
VILLARAMA, MARIA MELANIE S.
VILLAREAL, JOVAL L.
VILLARET, JOSE JR. G.
VILLEGAS, MA. ANA CARMELA L.
VILLENO, MADELINE T.
VIRAY, ANA ROSA E.
VISAYA, BASILIO JR. O.
VIZCARRA, VAN DENVER R.

Y
YBAÑEZ, ANTONIO ERROL JR. B.

Z
ZAFRANCO, FERNAN REAGAN P.

Organizational **Chart**
AS OF DECEMBER 31, 2013



50 Years 1963-2013

Committed to Serve

Philippine Deposit Insurance Corporation
SSS Bldg., 6782 Ayala Ave. cor. V.A. Rufino St.,1226 Makati City
Philippines
Tel. No. (632) 841-4000
E-mail: pad@pdic.gov.ph
Toll Free: 1-800-1-888-7342
or 1-800-1-888-PDIC
Website: www.pdic.gov.ph

2013 AUDITED FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Philippine Deposit Insurance Corporation
Makati City

We have audited the accompanying financial statements of Philippine Deposit Insurance Corporation which comprise the statement of financial position as at December 31, 2013, 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 information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 auditor's 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

The reliability of the Loans-Non-interest bearing notes amounting to P3.932 billion is doubtful due to the absence of transfer documents to substantiate or provide proof of existence/ownership of the assets purchased with book value of P3.841 billion under the Financial Assistance Agreement, contrary to Paragraph 31 of the Framework for the Preparation and Presentation of Financial Statements, and Section 4 (6) of Presidential Decree No. 1445.

Qualified Opinion

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Philippine Deposit Insurance Corporation as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

As discussed in Note 13 to the financial statements, the loans payable to Bangko Sentral ng Pilipinas (BSP) were revalued at amortized cost from historical cost in 2012 in accordance with the Corporation's early adoption of PFRS 9. However, the restated amount did not include the accrued interest claimed by BSP amounting to P1.439 billion since PDIC did not record it in its books of accounts due to unresolved issue on the interpretation of Section 1.02 of the Loan Agreement between BSP and PDIC. Under the loan agreement, an interest at the rate of two percent lower than the interest charges to the government obligations shall be paid by PDIC at the end of the following month after receipt of payment. PDIC stood firm on its stand that there should be no accrual of interest on said loan considering that the source of repayment was from collections of the underlying government loan accounts, hence it was not possible to ascertain beforehand interest that may be collected therefrom. Nevertheless, both parties agreed to elevate the matter to the Department of Justice for adjudication and resolution.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required by the Bureau of Internal Revenue on taxes, duties and license fees disclosed in Note 21 to the financial statements is presented for purposes of additional analysis and is not a required part of financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

By:

EDUARDO D. PADERNAL
State Auditor V
Supervising Auditor

April 4, 2014

PHILIPPINE DEPOSIT INSURANCE CORPORATION
(KORPORASYON NG PILIPINAS SA SEGURO NG LAGAK)
STATEMENT OF FINANCIAL POSITION
As at December 31, 2013
(In Thousand Pesos)

	Note	2013	2012 (As restated)
ASSETS			
Cash and cash equivalents	3	3,002,307	2,146,154
Investment securities at amortized cost	4	123,493,575	108,792,500
Loans and receivables	5	20,361,539	35,557,665
Financial assets at fair value through other comprehensive income	6	6,303,000	6,303,000
Non-current assets held for sale	7	1,776,715	816,044
Property and equipment	8	142,801	146,453
Intangible assets	9	52,934	61,962
Other assets	10	835,267	601,386
TOTAL ASSETS		**155,968,138**	**154,425,164**
LIABILITIES AND DEPOSIT INSURANCE FUND			
Liabilities			
Accounts payable and other liabilities	11	1,705,037	3,074,331
Insured deposit claims payable	12	1,270,259	2,481,058
Loans and interest payable	13	62,762,203	63,132,740
		65,737,499	**68,688,129**
Deposit Insurance Fund			
Permanent insurance fund		3,000,000	3,000,000
Reserves for insurance losses		63,895,318	63,895,318
Retained earnings		23,335,321	18,841,717
		90,230,639	**85,737,035**
TOTAL LIABILITIES AND DEPOSIT INSURANCE FUND		**155,968,138**	**154,425,164**

The Notes on pages 8 to 16 form part of these financial statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION

(KORPORASYON NG PILIPINAS SA SEGURO NG LAGAK)

STATEMENT OF INCOME

For the year ended December 31, 2013

(In Thousand Pesos)

	Note	2013	2012 (As restated)
INCOME			
Assessments	15	11,617,806	10,480,010
Income from investments	16	5,417,994	5,859,129
Income from financial assistance	17	932,069	1,082,991
Other income/(loss)	19	319,226	(252,662)
		18,287,095	**17,169,468**
EXPENSES			
Operating expenses	20	1,330,339	1,462,668
Provision for insurance losses	22	0	3,600,036
Insurance and financial assistance losses	23	11,055,256	6,400,212
Interest on borrowings	24	3,493,705	3,387,867
		15,879,300	**14,850,783**
PROFIT BEFORE TAX		**2,407,795**	**2,318,685**
Income tax expense		242,297	2,191,817
PROFIT BEFORE TAX SUBSIDY		**2,165,498**	**126,868**
Income from tax subsidy	18	3,410,855	3,210,066
PROFIT		**5,576,353**	**3,336,934**

The Notes on pages 8 to 16 form part of these financial statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION

(KORPORASYON NG PILIPINAS SA SEGURO NG LAGAK)

STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2013

(In Thousand Pesos)

	2013	2012 (As restated)
PROFIT	**5,576,353**	**3,336,934**
TOTAL COMPREHENSIVE INCOME for the year	**5,576,353**	**3,336,934**

The Notes on pages 8 to 16 form part of these financial statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION

(KORPORASYON NG PILIPINAS SA SEGURO NG LAGAK)

STATEMENT OF CHANGES IN DEPOSIT INSURANCE FUND

For the year ended December 31, 2013

(In Thousand Pesos)

	Note	2013	2012 (As restated)
PERMANENT INSURANCE FUND			
Balance at beginning / end of year		**3,000,000**	**3,000,000**
RESERVES FOR ESTIMATED INSURANCE LOSSES			
Balance at beginning of year		63,895,318	60,295,282
Additions		0	3,600,036
Balance at end of year		**63,895,318**	**63,895,318**
RETAINED EARNINGS			
Balance at beginning of year		18,841,717	6,469,483
Effects of prior period adjustments	30	0	9,690,771
Balance at beginning of year, as restated		18,841,717	16,160,254
Net income after tax		5,576,353	3,336,934
Dividends to the national government		(1,082,749)	(655,471)
Balance at end of year		**23,335,321**	**18,841,717**
ACCUMULATED COMPREHENSIVE GAIN/(LOSS)			
Balance at beginning of year		0	5,908,801
Effects of adoption of PFRS 9	30	0	(5,908,801)
Balance at beginning of year, as restated		0	0
Other Comprehensive Income for the year		0	0
Balance at the end of the year		**0**	**0**
DEPOSIT INSURANCE FUND		**90,230,639**	**85,737,035**

The Notes on pages 8 to 16 form part of these financial statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION

(KORPORASYON NG PILIPINAS SA SEGURO NG LAGAK)

STATEMENT OF CASH FLOWS

For the year ended December 31, 2013

(In Thousand Pesos)

	Note	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Assessment collections		11,415,859	10,314,430
Income from investment		6,312,592	6,286,855
Collection of loans and assets acquired from banks		3,155,542	4,680,621
Collection of subrogated claims receivable		149,526	24,353
Income from financial assistance		77,889	41,447
Collection of banks under receivership & liquidation		44,139	35,952
Dividend, service and miscellaneous income		43,137	34,271
Extension of loan to banks		0	(1,287,822)
Payment of taxes / income tax deficiencies		(1,872)	(2,157)
Advances for receivership and liquidation operations		(9,705)	(21,662)
Payment of cash advances and various receivables		(33,269)	(83,265)
Collection / payments of various payables		(127,360)	(9,465)
Payment of interest on borrowings		(809,844)	(674,210)
Maintenance and other operating expenses		(1,176,156)	(1,260,996)
Payment of insured deposits		(3,373,557)	(6,376,607)
Net cash provided by operating activities		**15,666,921**	**11,701,745**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from matured investment		122,030,204	140,998,660
Cost of purchased property & equipment		(19,004)	(10,464)
Placement in various investment		(136,426,301)	(161,739,859)
Net cash used in investing activities		**(14,415,101)**	**(20,751,663)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Collection of NG Share on Insured Deposit Payments		1,884,164	0
Final Withholding Tax charged to Tax Expenditure Fund		1,429,941	1,515,003
Borrowings from BSP/LBP		0	15,862
Payment of dividends to National Govt.		(655,471)	(504,709)
Payment of loans to BSP/LBP		(3,054,372)	(1,502,749)
Net cash used in financing activities		**(395,738)**	**(476,593)**
Effect of Foreign Currency Revaluation		71	(153)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**856,153**	**(9,526,664)**
CASH AND CASH EQUIVALENTS, BEGINNING		2,146,154	11,672,818
CASH AND CASH EQUIVALENTS	3	**3,002,307**	**2,146,154**

The Notes on pages 8 to 16 form part of these financial statements.

PHILIPPINE DEPOSIT INSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS

(All amounts in thousand pesos unless otherwise stated)

1. GENERAL 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. PDIC 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 SSS Bldg., 6782 Ayala Ave. corner V.A. Rufino St. Makati City.

As at December 31, 2013, PDIC's total manpower complement is 592 (185 officers and 407 rank and file employees), of which, one is a Presidential appointee, 578 are permanent, 12 are coterminous and 1 is temporary.

The financial statements were authorized for issuance by the Board of Directors on February 19, 2014.

2. 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 Corporation did an early adoption of PFRS No. 9 wherein the financial assets and liabilities have been revalued and reclassified, as applicable to reflect the Corporation's business model and cash flow intention.

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 Investments

The Corporation determines that investments are impaired when there has been a significant or prolonged decline in the fair value below its 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 operational and financing cash flows.

The Corporation classifies non-derivative financial assets with fixed or determinable payments and fixed maturity as Investments at Amortized Cost. 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 is no longer consistent with its business model to keep these investments to maturity or has sold government securities exceeding 10 per cent of total portfolio as of the end of the immediately preceding year, then it will be required to reassess its business model.

b. 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 judgments 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. The Corporation is guided by the provisions on the Guidelines on Allowance for Losses and Write-off of Assets approved under Board Resolution No. 2013-09-188, which provides conditions of assets that will be subject to impairment losses.

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

The Subrogated Claims Receivable (SCR) account represents payments made by PDIC on deposit claims to insured depositors of closed banks. In accordance with the Guidelines on Allowance for Losses and Write-off of Assets, the allowance for losses is set at 100 per cent owing to the insolvent status of closed banks, and similar to the rate being provided to loans classified as loss.

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. This account is periodically reviewed to determine whether an impairment loss should be recorded based on the probability of non-recovery of such exposure. The allowance for losses is computed as the difference between the Estimated Realizable Value of Assets available for payment of PDIC's claims and the recorded receivables from closed banks.

d. Estimated useful lives of property and equipment

The Corporation uses the prescribed estimated useful lives of Property and Equipment account.

e. 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 except for the change in the methodology of determining impairment loss on SCR as provided for in 2.2c, and the change in the valuation of Investments, Loans Receivable and Payable as prescribed under PFRS 9.

2.3.1 New and amended standards and interpretations

The following new standards, amendments and interpretations to existing PFRS which became effective for accounting period beginning on or after January 1, 2013, did not have a significant impact on the accounting policies, financial condition or performance of the Corporation.

- 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. This new standard has no significant impact on the Corporation's financial statements as the current fair value measurement of its non-financial assets and liabilities is already consistent with the new standard.

- 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 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.

  The amendments have no impact on the Corporation's financial statements as there are no transactions which required offsetting of financial assets and liabilities.

2.3.2 Issued PFRS but are not yet effective

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.

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 amendments have no significant impact on the Corporation's financial statements since there are no present transactions involving netting of financial assets and financial liabilities.

- PFRS 9 (Amendment), Financial Instruments: Classification and Measurement (effective date has been reset after January 1, 2015)

  PFRS 9 replaces the parts of PAS 39 that relate to the classification, measurement and recognition of financial instruments. The amendments to PFRS 9 defer the mandatory effective date. The final effective date will be determined when the classification and measurement and impairment chapters of PFRS 9 are finalized. The deferral will make it possible for all phases of the project to have the same mandatory effective date, however early application of PFRS 9 is still permitted.

  The amendments also provide relief from the requirement to restate comparative financial statements for the effect of applying PFRS 9, which was originally only available to companies that chose to apply PFRS 9 prior to 2012. Instead, additional transition disclosures will now be required to help investors understand the effect that the initial application of PFRS 9 has on the classification and measurement of financial instruments.

  Classification of financial assets is determined at the "initial application date" and applying amortized cost or fair value measurement from the date of "initial recognition". The standard requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The classification depends on the entity's business model for managing its financial instruments and the cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the PAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, part of the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather in profit or loss, unless this creates accounting mismatch. The Corporation did early adoption of PFRS 9 in the 2013 financial reporting. The adoption of the first phase of PFRS 9 has created an impact on the classification, measurement and presentation of the Corporation's financial assets and liabilities.

2.4 Significant accounting policies

a. Financial Assets

Initial recognition

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

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

Classification of financial assets

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

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flow; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Amortized cost and effective interest method

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

Income is recognized on an effective interest basis for debt instruments measured subsequently at amortized cost. Interest income is recognized in profit and loss.

Financial assets included under this category include Cash and Cash Equivalents, Investments at Amortized Cost and Loans and Receivables.

Fair Value through Other Comprehensive Income (FVTOCI)

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

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of the portfolio of identified financial instruments that the Corporation manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument or a financial guarantee.

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

Impairment of financial assets

Financial assets that are measured at amortized cost are assessed for impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as a default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

The amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows reflecting the amount of collateral and guarantee, discounted at the financial asset's original effective interest rate.

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

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

Derecognition of financial assets

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

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

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

b. Non-current assets held for sale

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

c. Property and equipment

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

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

Building	30 years
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 lives of the improvements.

d. 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.

e. Financial Liabilities and Equity Instrument

Classification as debt or equity

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

e.1 Financial Liabilities

Initial recognition

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

Financial liabilities subsequently measured at amortized cost

Financial liabilities that are not held-for-trading and are not designated as at FVPTL, are measured at amortized cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortized costs are determined based on the effective interest method.

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

Derecognition of financial liabilities

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

e.2 Equity Instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Corporation after deducting all of its liabilities. The Corporation classifies deposit insurance fund as equity since it represents residual interests in the assets of the Corporation after deduction all of its liabilities.

e.2.1 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 DIF shall be maintained at a reasonable level to ensure capital adequacy.

Since 2012, the Corporation has set the target level of DIF as a percentage of DIF to the estimated insured deposits (EID) of the banking industry or at 5%. Alongside, the PDIC monitors the ratio of DIF to the insurance reserve target based on risk assessment of insured banks.

e.2.2 Permanent insurance fund

This is the total capital provided by the National Government by virtue of Republic Act No. 3591, as amended. The full capitalization of P3 billion was reached in 1994 with the conversion of the obligations of PDIC to the then Central Bank of the Philippines in the amount of P977.787 million into equity of the National Government.

e.2.3 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.

f. 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:

f.1. Assessments

Assessment collections from member banks are recognized as income in the year 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 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.

f.2. Investment income

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

f.3. Income from financial assistance

In accordance with the early adoption of PFRS 9, interest on loans receivables on account of financial assistance is recognized applying the effective interest using the market rates at initial recognition.

f.4 Income from tax subsidy

Tax obligations paid through the Tax Expenditure Fund in accordance with Section 17c of Republic Act (R.A.) No. 3591, as amended by R.A. No. 9576, are booked as income. This shall be for a period of five years starting June 1, 2009 and on June 1, 2014 (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.

g. Dollar-denominated assets

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

h. Employee benefits

h.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 to the employee 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.

h.2. Retirement

GSIS retirement benefit under R.A. No. 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. No. 8291 likewise provides for separation benefits.

h.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.

i. 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.

j. Financial assistance to banks

In accordance with Sec. 17 (d) of R.A. No. 3591, as amended, PDIC may grant financial assistance to a distressed member bank for its rehabilitation to prevent closure, provided such assistance is the least costly alternative. 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:

	2013	2012
Cash on hand [3.1/]	2,496	6,754
Cash in bank [3.2/]	123,028	190,946
Short-term investments [3.3/]	2,876,783	1,948,454
	3,002,307	**2,146,154**

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. INVESTMENT SECURITIES AT AMORTIZED COST

This account includes the following:

	2013	2012 (As restated)
Corporate investments [4.1/]	91,090,331	77,790,057
Sinking funds [4.2/]	32,157,708	30,767,304
Legal liability insurance fund [4.3/]	245,536	235,139
	123,493,575	**108,792,500**

In accordance with PFRS 9, investment balances were revalued from market price to amortized cost to conform to the business model adopted by the Corporation which is to hold the financial assets to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes).

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 PDIC loans upon maturity, a portion of which is being managed by the 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.

5. LOANS AND RECEIVABLES

The following receivables are classified to this account as follows:

	2013	2012 (As restated)
Loans [5.1/]	8,648,842	13,019,634
Receivables - closed banks [5.2/]	8,762,221	16,713,266
Due from National Government [5.4/]	2,946,953	4,676,504
Interest receivables [5.3/]	2,100	1,121,897
Other receivables [5.5/]	1,423	26,364
	20,361,539	**35,557,665**

5.1 Loans

This represents loans in the form of i) interest and non-interest bearing loans to four rural banks and two commercial banks, amounting to P8.382 billion, ii) loans acquired from operating and closed banks amounting to P243.756 million (net of allowance), and iii) sales contract receivable from acquired assets amounting to P22.554 million.

The P8.382 billion interest and non-interest bearing loans include the P3.932 billion financial assistance granted to a universal bank and a sequestered bank pursuant to Section 17 (d) of the amended PDIC Charter. As of December 31, 2013, a total of P1.208 billion worth of assets has been accepted by the PDIC Board. Subsequently, the PDIC Board approved the acceptance of additional P1.996 billion worth of assets bringing the total to P3.204 billion as of May 31, 2014. Delivery of transfer documents is ongoing.

5.2 Receivables - closed banks include the following:

	2013	2012 (As restated)
Subrogated claims receivable [a/]	58,207,189	57,604,949
Subrogated claims receivable -assigned [a.1/]	(4,831,118)	(4,676,504)
Allowance for doubtful accounts	(53,376,071)	(44,791,818)
	0	8,136,627
AR-receivership and liquidation [b/]	1,759,440	1,567,122
Allowance for doubtful accounts	(27,063)	(20,327)
	1,732,377	(1,546,795)
Loans receivables-closed banks [c/]	9,171,396	9,171,396
Allowance for doubtful accounts	(2,141,552)	(2,141,552)
	7,029,844	7,029,844
	8,762,221	**16,713,266**

a. Subrogated claims receivable (SCR)

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.

a.1 The Subrogated claims receivable - assigned account totaling P4.831 billion represents insured deposits paid in excess of the first P250,000 for each depositor which is for the account of the National Government in accordance with Section 4 of Republic Act No. 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 non-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 is as follows:

	2013			2012		
	SCR	ARRL	LRCB	SCR	ARRL	LRCB
Balance at beginning of year	44,791,818	20,327	2,141,552	40,396,173	17,129	139,902
Provisions during the year	8,584,253	6,736	0	4,395,645	3,198	2,001,650
Balance at end of year	**53,376,071**	**27,063**	**2,141,552**	**44,791,818**	**20,327**	**2,141,552**

5.3 Interest receivables

This represents interest receivables from investments amounting to P2.100 million in 2013. For 2012, this represents interest receivables from investments amounting P1.098 billion and from loans granted to assisted banks of P23.704 million.

Accrual of interest on one bank with financial assistance was stopped in view of its closure on April 27, 2012. Interest receivable that was not accrued/booked on the principal amount of P7 billion and P2 billion at the interest rate of 1 per cent and 5 per cent, respectively, amounted to P296.861 million as of December 31, 2013. The interest of P124.639 million on the P7 billion loan will be paid from the Government Securities pledged and held in trust by the bank for PDIC.

5.4 Due from National Government

This represents the balance of the share of the National Government (NG) in insured deposits paid in excess of P250 thousand (refer to 5.2. a.1). To date, the PDIC has filed reimbursement of P4.843 billion for banks closed from June 1, 2009 to May 31, 2012. The NG has made reimbursements to PDIC in the amount of P1.884 billion as of December 31, 2013.

5.5 Other receivables

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

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

This account consists of:

	2013	2012 (As restated)
Equity Securities	6,303,000	6,303,000

This represents PDIC's subscription on March 31, 2009 to the Capital Notes issued by United Coconut Planters Bank (UCPB) in the amount of P12 billion by way of conversion of the latter's outstanding obligations to PDIC 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. The amount includes impairment loss amounting P5.697 billion.

7. NON-CURRENT ASSETS HELD FOR SALE

This account includes the following:

	2013	2012 (As restated)
Assets acquired from operating banks [7.1/]	3,244,043	2,814,128
Allowance for probable losses	(1,809,102)	(2,245,980)
	1,434,941	568,148
Assets acquired from closed banks [7.2/]	352,821	258,943
Allowance for probable losses	(11,047)	(11,047)
	341,774	247,896
Total	**1,776,715**	**816,044**

The non-current assets held for sale account was used and presented as a separate line in the financial statements starting year 2013.

7.1 Includes assets acquired from financially assisted banks and are being held for sale.

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

8. PROPERTY AND EQUIPMENT

This account includes the following:

Particulars	Land and Builing [8.1/]	Furniture, Fixtures, Equipment and Books	Transportation Equipment [8.2/]	Leasehold Improvements	Total
Cost					
At 1 January 2013	171,523	156,720	22,454	60,064	410,761
Additions	0	10,059	8,764	0	18,823
Disposals/adjustments	0	(15,921)	0	0	(15,921)
At 31 December 2013	**171,523**	**150,858**	**31,218**	**60,064**	**413,663**
Accumulated Depreciation					
At 1 January 2013	98,162	95,868	13,111	59,167	264,308
Depreciation	3,473	13,389	2,750	769	20,381
Disposals/adjustments	0	(13,827)	0	0	(13,827)
At 31 December 2013	99,635	95,430	15,861	59,936	270,862
Net book value					
At 31 December 2013	**71,888**	**55,428**	**15,357**	**128**	**142,801**
At 31 December 2012, (As restated)	**75,361**	**60,852**	**9,343**	**897**	**146,453**

8.1 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.

8.2 The account includes additional six vehicle units for the year or a total of 31 vehicle units.

9. 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 2013	98,120	36,158	61,962
Additions	3,698	0	3,698
Amortization	0	12,726	(12,726)
At 31 December 2013	**101,818**	**48,884**	**52,934**
At 31 December 2012	**98,120**	**36,158**	**61,962**

10. OTHER ASSETS

This account includes the following:

	2013	2012 (As restated)
Creditable tax withheld	744,646	509,718
Provident fund - car fund	64,392	64,392
Guarantee deposits 10.1/	18,988	17,380
Prepayments 10.2/	2,871	2,120
Inventories 10.3/	1,711	4,488
Advances to officers and employees 10.4/	1,080	881
Petty cash fund 10.5/	1,022	866
Others-resigned employees	557	1,541
	835,267	**601,386**

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

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

10.3 This account consists of office supplies and materials, and decals and standees inventories.

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

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

11. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account includes the following:

	2013	2012 (As restated)
Inter-agency payables 11.3/	1,413,034	2,739,479
Due to officers and employees 11.1/	174,702	197,003
Accounts payables 11.2/	84,746	102,015
Others payables 11.4/	32,555	35,834
	1,705,037	**3,074,331**

11.1 This is composed of accrued leaves of employees payable upon monetization, retirement or resignation amounting to P171.836 million, and unpaid salaries and benefits amounting to P2.866 million such as loyalty pay, overtime, performance incentive, rice benefit and tax refunds to be paid in the succeeding year.

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

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

	2013	2012 (As restated)
National Government/Bureau of Treasury	1,082,749	1,855,434
Bureau of Internal Revenue	299,900	854,391
PDIC Provident Fund	20,020	19,682
Government Service Insurance System	8,932	8,598
PhilHealth	1,131	1,071
Pag-IBIG	302	303
	1,413,034	**2,739,479**

11.4 Other payables include bidders' performance bond payable, payables to resigned employees, overpayment by banks, which are creditable to subsequent assessment period, and unearned income from acquired assets sold through sales contract receivables.

12. INSURED DEPOSIT CLAIMS PAYABLE

This account represents balance of unpaid but validated insured deposit claims totaling P1.270 billion for 2013 and P2.481 billion for 2012.

13. LOANS AND INTEREST PAYABLE

This account represents outstanding loans payable to the Bangko Sentral ng Pilipinas which were utilized, in accordance with Section 18 of Republic Act No. 3591 to fund financial assistance to banks and claims for insured deposits, as follows:

	2013	2012 (As restated)
Commercial Banks	57,158,620	56,220,443
Thrift Banks	2,646,721	3,951,123
Rural Banks	2,956,862	2,961,174
	62,762,203	**63,132,740**

In accordance with the Corporation's early adoption of PFRS 9, loans were revalued at amortized cost from historical cost in 2012. The restated balance in 2012 includes accrued interest on loans from the Bangko Sentral ng Pilipinas amounting to P181.564 million, which will be paid in accordance with the terms of the loan agreement (e.g. bullet, annual, etc.).

14. 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	2013		2012 (As restated)	
	Less than 2 months	Over 12 months	Less than 12 months	Over 12 months
ASSETS				
Cash and cash equivalent	3,002,307	0	2,146,154	0
Investments at amortized costs	17,045,130	106,448,445	23,386,588	85,405,912
Loans and receivables	3,522	20,358,017	1,148,260	34,409,405
Financial assets at fair value through other comprehensive income	0	6,303,000	0	6,303,000
Non-current assets held for sale	1,776,715	0	0	816,044
Property and equipment	0	142,801	0	146,453
Intangible assets	0	52,934	0	61,962
Other assets	835,267	0	601,386	0
Total Assets	**22,662,941**	**133,305,197**	**27,282,388**	**127,142,776**
LIABILITIES				
Accounts payable and other liabilities	1,705,037	0	3,074,331	0
Insured deposit claims payable	1,270,259	0	2,481,058	0
Loans and interest payable	82,886	62,679,317	125,645	63,007,095
Total Liabilities	**3,058,182**	**62,679,317**	**5,681,034**	**63,007,095**
NET	**19,604,759**	**70,625,880**	**21,601,354**	**64,135,681**

15. ASSESSMENT INCOME

This consists of assessment premiums received as follows:

	2013	2012
First semester	5,514,872	5,235,157
Second semester	6,102,934	5,244,853
	11,617,806	**10,480,010**

16. INCOME FROM INVESTMENTS.

This consists of interest income from investments (net of tax) and gain/(loss) on sale of securities as follows:

	2013	2012 (As restated)
Investment securities at amortized costs	5,039,750	5,052,739
Gain on sale of securities	324,040	604,471
Cash equivalents [16.1]	54,204	201,919
	5,417,994	**5,859,129**

16.1 This account includes special savings deposits and time deposits having maturities of three months or less from the date of placement.

17. INCOME FROM FINANCIAL ASSISTANCE

The balance of this account refers to interest income totaling P932.069 million in 2013 and P1.083 billion (as restated) in 2012, derived from financial assistance to banks by way of interest bearing direct loans and acquisition of assets.

18. INCOME FROM TAX SUBSIDY

A total of P3.411 billion in 2013 and P3.210 billion (as restated) in 2012 tax obligations of PDIC were charged to the Tax Expenditure Fund in accordance with Section 17 (c) of the PDIC Charter, as amended by Republic Act No. 9576, were booked to this account.

19. OTHER INCOME/(LOSS)

Balance of this account consists of the following:

	2013	2012 (As restated)
Service income	227,874	214,009
Miscellaneous income	75,199	22,426
Dividend income	5,937	13,554
Gain on sale of disposed assets	5,904	2,010
Income from sale of acquired assets	4,307	0
Interest on late payment of assessment	332	82
Gain/(loss) on foreign currency revaluation	72	(154)
Day 1 Loss on loans receivables	(399)	(504,589)
	319,226	**(252,662)**

20. OPERATING EXPENSES

This account consists of the following:

	2013	2012 (As restated)
Personal services	952,341	1,057,584
Maintenance and other operating expenses	377,998	405,084
	1,330,339	**1,462,668**

The Gender and Development (GAD) expenses amounted to P147,963 in 2013. These were incurred for GAD Learning Sessions/activities during the Women's Month celebration and Walk to End Violence Against Women, GAD Orientation/Capacity Building and participation in GAD seminars for the Department of Finance GAD Focal Points System and establishment of baseline sex-disaggregated data on PDIC personnel.

21. TAXES

In compliance with the requirements set forth by the Bureau of Internal Revenue (BIR) in Revenue Regulation No. 15-2010, hereunder are the information on the 2013 taxes, duties and license fees paid or accrued in 2013:

	2013	2012 (As restated)
Value added tax (VAT) [21.1/]	1,543,607	1,339,165
Income tax	242,297	2,191,817
Capital Gains Tax	82	0
Documentary stamp tax	21	0
Withholding taxes		
On compensation and benefits	142,937	186,511
Creditable withholding taxes	29,671	28,238
Final withholding taxes	272	273
Other taxes and licenses		
Community tax certificate	10	10
BIR annual registration fee	1	1
	1,958,898	**3,746,015**

21.1 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. PDIC 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, PDIC informed that the application for abatement has been approved by the Regional Evaluation Board. However, the same was forwarded to the Technical Working Committee of the Office of the Deputy Commissioner for further evaluation and final approval.

22. PROVISION FOR INSURANCE LOSSES

For year 2013, no additional provision was charged to income. The charging of provision for insurance losses is in accordance with Note 2.4 e.2.3.

23. INSURANCE AND FINANCIAL ASSISTANCE LOSSES

Insurance and financial assistance losses consist of the following:

	2013	2012
Deposit claims pay-out expenses [23.1/]	9,854,508	4,395,645
Rehabilitation cost [23.2/]	1,194,013	2,001,369
Receivership and liquidation expenses [23.3/]	6,735	3,198
	11,055,256	**6,400,212**

23.1 Deposit claims pay-out expenses – estimated losses on deposit insurance claims paid and verified/validated claims accrued during the year.

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

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

24. INTEREST ON BORROWINGS

This account consists of interest expense totaling P3.494 billion in 2013 and P3.388 billion (as restated) in 2012 primarily on outstanding loans from BSP used to fund financial assistance and payout operations of various banks.

25. LEASES

The Corporation leased the premises of the Social Security System at Ayala Avenue, Makati City, which serve as PDIC's principal office for P107.165 million in 2013. The lease is renewable under certain terms and conditions.

26. CONTINGENT LIABILITIES AND OTHER MATTERS

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

a. Claims for deposit insurance

Forty three cases were filed against the Corporation for payment of deposit insurance in the estimated amount of P113.862 million. In addition, the Corporation initiated an action for interpleader against claimants/depositors involving the amount of P250,000.

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

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

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

26.2 Estimated insured deposits

As at September 30, 2013, total insured deposits within the P500,000 insurance coverage amounted to P1.663 trillion representing 43.96 million accounts. This is equivalent to 24.19 per cent of the total deposits of P6.872 trillion in the banking industry.

26.3 Banks under receivership and liquidation

There are a total of 456 closed banks, net of 163 banks with approved terminal report as of December 31, 2013 under PDIC receivership and liquidation. Of the 456, 18 banks were closed in 2013. The total estimated realizable value of assets and liabilities of the banks amounted to P36.709 billion and P142.374 billion, respectively, based on latest available financial statements.

27. RELATED PARTY TRANSACTION

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

28. 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.

28.1 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.

28.2 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, PDIC 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 investments in 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
		2013	
Loans and receivables	17,412,486	8,982,469	8,430,017
Financial asset at fair value through other comprehensive income	6,303,000	0	6,303,000
Total credit risk exposure	**23,715,486**	**8,982,469**	**14,733,017**
		2012 (As restated)	
Loans and receivables	29,782,968	12,035,483	17,747,485
Financial asset at fair value through other comprehensive income	6,303,000	0	6,303,000
Total credit risk exposure	**36,085,968**	**12,035,483**	**24,050,485**

28.3 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, 2013.

	On demand	Up to 3 months	> 3 up to 12 months	> 1 up to 5 Years
As at December 31, 2013				
Accounts payable and other liabilities	0	1,705,037	0	0
Insured deposit claims payable	1,270,259	0	0	0
Loans and interest payable	82,886	0	0	0
	1,353,145	**1,705,037**	**0**	**0**

	On demand	Up to 3 months	> 3 up to 12 months	> 1 up to 5 Years
As at December 31, 2012, As Restated				
Accounts payable and other liabilities	0	3,074,331	0	0
Insured deposit claims payable	2,481,058	0	0	0
Loans and interest payable	77,974	0	47,671	0
	2,559,032	**3,074,331**	**47,671**	**0**

	> 5 up to 10 years	> 10 up to 20 years	Over 20 years	Total
As at December 31, 2013				
Accounts payable and other liabilities	0	0	0	1,705,037
Insured deposit claims payable	0	0	0	1,270,259
Loans and interest payable	1,652,769	11,494,188	49,532,360	62,762,203
	1,652,769	**11,494,188**	**49,532,360**	**65,737,499**
As at December 31, 2012, As restated				
Accounts payable and other liabilities	0	0	0	3,074,331
Insured deposit claims payable	0	0	0	2,481,058
Loans and interest payable	9,749,899	3,027,113	50,230,083	63,132,740
	9,749,899	**3,027,113**	**50,230,083**	**68,688,129**

29. CASH FLOW INFORMATION

Tax liabilities amounting to P3.411 billion and P3.210 billion for 2013 and 2012, respectively, were charged against the Tax Expenditure Fund (Note 18) are considered non-cash transactions.

30. RESTATEMENT OF 2012 FINANCIAL STATEMENTS AND EARLY ADOPTION OF PFRS No. 9

On 12 November 2009, the International Accounting Standards Board (IASB) published the first phase of International Financial Reporting Standards (IFRS) 9 on *Financial Instruments*, the accounting standard that will eventually replace International Accounting Standards (IAS) 39 on *Financial Instruments: Recognition and Measurement*. In March 2010, the Financial Reporting Standards Council (FRSC), the accounting standards setting body in the Philippines, adopted IFRS 9 as PFRS 9 to replace Philippine Accounting Standard (PAS) 39, on Financial Instruments: Recognition and Measurement. Adoption of PFRS 9 has been moved to 1 January 2015, but early application is encouraged.

Under PAS 39, the Corporation's Held to Maturity Investments (HTM) were tainted in 2011 in view of the disposal of securities amounting to P9.60 billion, considered more than an insignificant amount. To comply with the "tainting rule" of PAS 39, all of the Corporation's outstanding HTM investments recognized at amortized cost totaling P88.19 billion were reclassified as of December 31, 2011 to Available for Sale (AFS) with market price amounting to P94.10 billion. Analysis showed that early adoption of PFRS 9 for the year 2013 would address the valuation of the Corporations' financial instruments which have been tainted.

The 2013 financial statements included the effects of PDIC's early adoption of PFRS 9. As required in the standard, investment accounts have been revalued at amortized cost and reclassified, as applicable, to reflect the Corporation's business model and cash flow intention.

Balances and account titles of accounts affected by the early implementation as well as adjustments in 2013 pertaining to 2012 and prior years' transactions have been restated to present comparable balances.

The table below presents the January 1, 2012 condensed statement of financial position as previously reported, restatement adjustments and the restated balances:

STATEMENT OF FINANCIAL POSITION	As Previously Reported	Prior Year's Adjustments	Note	Effect of PFRS 9	Balance (As restated)
	January 1, 2012				
Assets:					
Cash and other assets	13,053,061				13,053,061
Investment securities at amortized cost	94,259,764		30.1/	(5,908,801)	88,350,963
Loans and receivables	41,432,774	(1,517,011)	30.2/		39,915,763
Financial asset at fair value through OCI	12,000,000	(5,697,000)	30.3/		6,303,000
Property and Equipment	158,949				158,949
Total Assets	**160,904,548**	**(7,214,011)**		**(5,908,801)**	**147,781,736**
Liabilities:					
Inter-agency payables	2,071,401				2,071,401
Various payables	4,244,810				4,244,810
Loans and interest payable	78,914,771	(16,904,782)	30.2/		62,009,989
Total Liabilities	**85,230,982**	**(16,904,782)**			**68,326,200**
Deposit Insurance Fund:					
Permanent insurance fund	3,000,000				3,000,000
Reserves for insurance losses	60,295,282				60,295,282
Retained earnings	6,469,483	9,690,771	30.4/		16,160,254
Unrealized gain on investments	5,908,801		30.1/	(5,908,801)	0
Total Deposit Insurance Fund	**75,673,566**	**9,690,771**		**(5,908,801)**	**79,455,536**
Total Liabilities and Deposit Insurance Fund	**160,904,548**	**(7,214,011)**		**(5,908,801)**	**147,781,736**

The following tables present the December 31, 2012 condensed statement of financial position and statement of income as previously reported, restatement adjustments and the restated balances

STATEMENT OF FINANCIAL POSITION	As Previously Reported	Prior Year's Adjustments	Note	Effect of PFRS 9	Balance (As restated)
	December 31, 2012				
Assets:					
Cash and other assets	3,644,563	(19,017)			3,625,546
Investment securities at amortized cost	14,598,894		30.1/	(5,806,394)	108,792,500
Loans and receivables	36,910,079	(1,352,414)	30.2/		35,557,665
Financial asset at fair value through OCI	12,000,000	(5,697,000)	30.3/		6,303,000
Property and Equipment	153,987	(7,534)	30.5/		146,453
Total Assets	**167,307,523**	**(7,075,965)**		**(5,806,394)**	**154,425,164**
Liabilities:					
Inter-agency payables	1,539,515	1,199,964	30.6/		2,739,479
Various payables	2,816,083	(173)			2,815,910
Loans and interest payable	78,715,229	(15,582,489)	30.2/		63,132,740
Total Liabilities	**83,070,827**	**(14,382,698)**		**0**	**68,688,129**
Deposit Insurance Fund:					
Permanent insurance fund	3,000,000				3,000,000
Reserves for Insurance losses	65,095,282	(1,199,964)	30.6/		63,895,318
Retained earnings	10,335,020	8,506,697	30.4/		18,841,717
Unrealized gain on investments	5,806,394		30.1/	(5,806,394)	0
Total Deposit Insurance Fund	**84,236,696**	**7,306,733**		**(5,806,394)**	**85,737,035**
Total Liabilities and Deposit Insurance Fund	**167,307,523**	**(7,075,965)**		**(5,806,394)**	**154,425,164**

STATEMENT OF INCOME	As Previously Reported	Restatements Add/(Deduct)	Note	Effect of PFRS 9	Balance (As restated)
Income:					
Assessment and income from investment	16,339,139				16,339,139
Income from financial assistance	428,552	654,439	30.2/		1,082,991
Other income/(loss)	254,015	(506,677)	30.2/		(252,662)
Total Income	**17,021,706**	**147,762**			**17,169,468**
Expenses:					
Operating expense	1,456,187	6,481			1,462,668
Provision for insurance losses	4,800,000	(1,199,964)	30.6/		3,600,036
Interest on borrowings	2,062,512	1,325,355	30.2/		3,387,867
Insurance and financial assistance losses	6,400,212				6,400,212
Total Expenses	**14,718,911**	**131,872**			**14,850,783**
Profit Before Tax	**2,302,795**	**15,890**			**2,318,685**
Less: Income tax expense	991,854	1,199,963	30.6/		2,191,817
Profit before Tax Subsidy	**1,310,941**	**(1,184,073)**			**126,868**
Add: Income from tax subsidy	3,210,066				3,210,066
PROFIT	**4,521,007**	**(1,184,073)**			**3,336,934**

30.1 This represents PFRS 9 adjustments on the revaluation to amortized cost of investments previously valued at market price.

30.2 This represents adjustments on revaluation to amortized cost of Loans Receivable and Payable previously valued at historical cost including Day 1 gain/(loss) and amortization of loans receivable and payable prior to 2012.

30.3 This represents adjustments due to recognition of P5.697 billion impairment loss on Capital Notes.

30.4 This represents adjustment for the recognition of impairment loss on Capital Notes and amortization of loans receivable and payables (Note 30.1 and 30.2).

30.5 This represents de-recognition in the books of P7.534 million in the Construction in Progress-Building account due to the Corporation's decision to discontinue construction of the PDIC building.

30.6 This represents income tax deficiency assessment for 2012 paid from Tax Subsidy in 2013. As a result of BIR audit on the Corporation's internal revenue tax liabilities for the taxable year 2012, PDIC was assessed for tax deficiency. Pursuant to Section 17 (c) of the PDIC Charter, Deposit Insurance Fund of the Corporation shall be preserved and maintained at all times, accordingly, all tax obligations of the Corporation for the period covered shall be chargeable to the Tax Expenditure Fund in the General Appropriation Act. In view thereof, said tax deficiency was charged against the 2013 Tax Subsidy budget and booked as adjustment to correct the 2012 financial statements.

50 Years

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