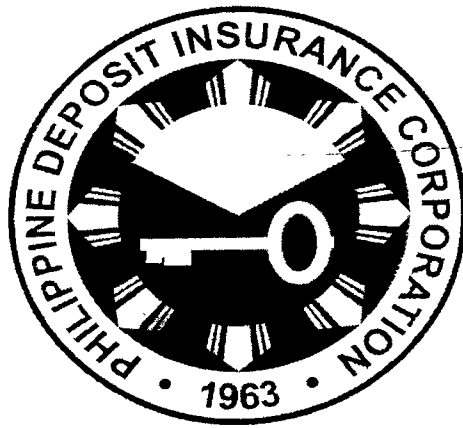


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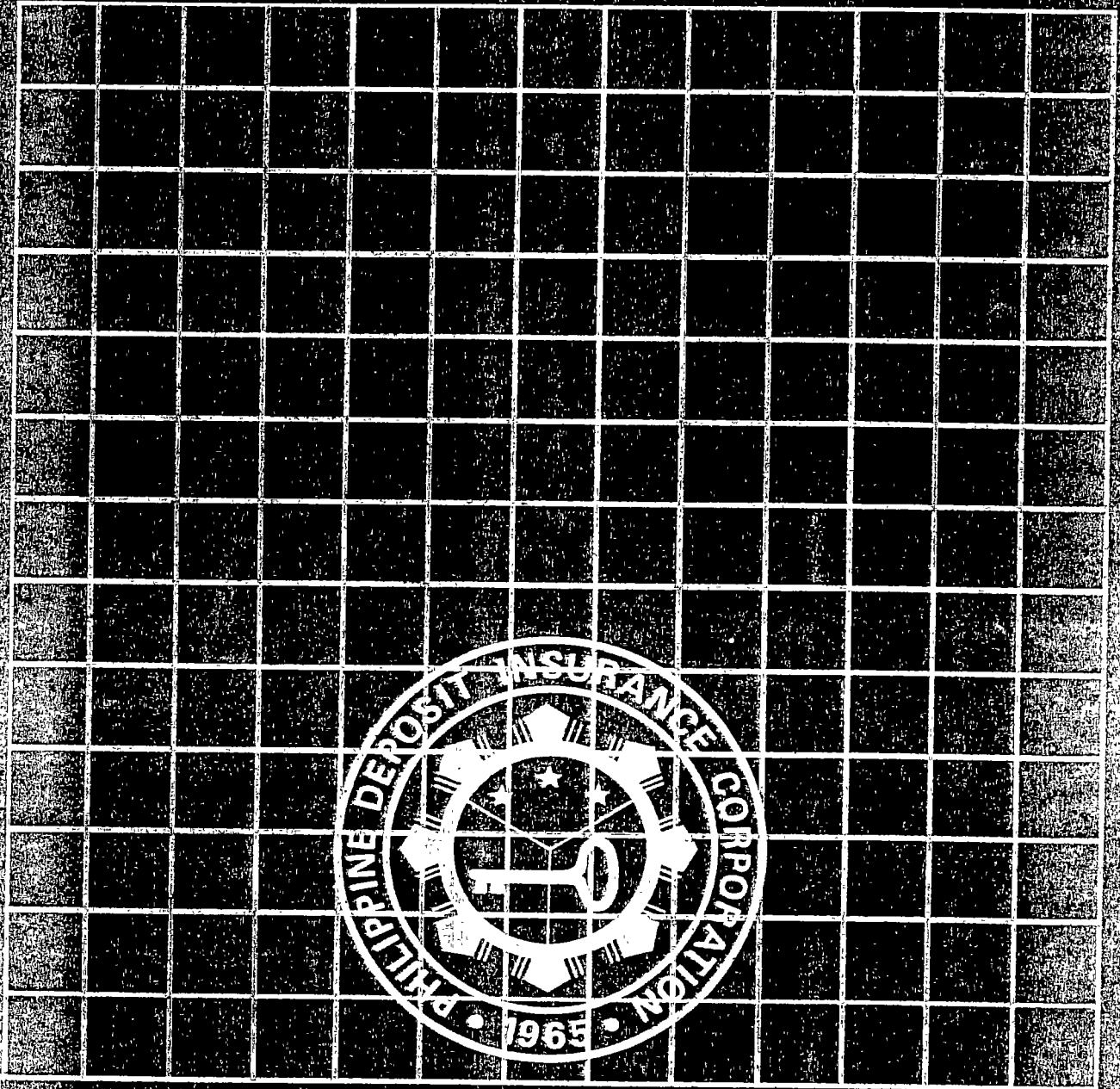
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Annual Report



Philippine Deposit Insurance Corporation

ANNUAL REPORT 1986



PHILIPPINE DEPOSIT INSURANCE
CORPORATION

Letter of Transmittal



PHILIPPINE DEPOSIT INSURANCE CORPORATION
Makati, Metro Manila

March 31, 1987

Her Excellency
President Corazon C. Aquino
Malacañang, Manila

Dear Mrs. President:

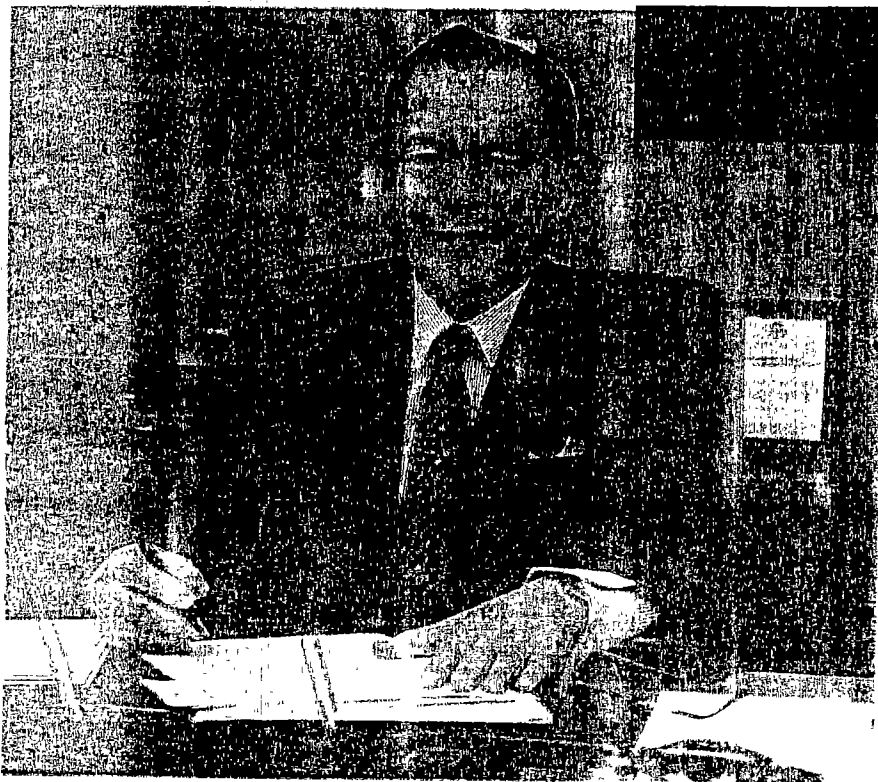
I have the honor to submit this Annual Report covering the major activities and accomplishments of the Philippine Deposit Insurance Corporation (PDIC) for the year 1986, pursuant to the provisions of Section 15 of Republic Act No. 3591, as amended.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Eugenio Nierras, Jr.', written over a horizontal line.

EUGENIO NIERRAS, JR.
Acting President

The President's Report



Notwithstanding the harsh environment obtaining during the greater part of 1986, the Corporation managed to put in fairly modest accomplishments both in its major activity of deposit insurance and in financial operations.

The Corporation's total assets at the end of the period stood at P3,941.4 million. This represents an increase of P21.6 million over last year's assets of P3,819.7 million.

Increased operating requirements have drawn down investments in Philippine Government Obligations from P181.6 million in 1985 to P74.8 million in 1986. However, assets acquired through deposit subrogation transactions and financial assistance increased to

P1,830.3 million or by over 20 percent.

A permanent insurance fund of P1,580.0 million receivable from the National Treasury as government contribution to PDIC capitalization formed a major part of the Corporation's assets in 1986.

As of the same period, liabilities amounted to P1,243.5 million, an increase of 3.0 percent over the comparable total of the previous year. The financial support extended by the Central Bank of the Philippines totalling P1,120.0 million enabled the Corporation to discharge its deposit insurance obligations without prejudice to the depositors and the banking system.

In terms of capital, PDIC had as

of the end of the year a Deposit Insurance Fund of P2,597.9 million, consisting of a Permanent Insurance Fund of P2.0 billion, Reserve for Insurance Losses of P580.3 million and Retained Earnings of P17.5 million.

The financial operations for the year 1986 also showed positive results, with total income exhibiting a growth of 20.9 percent to P194.8 million. Assessments rose 8.3 percent to P136.2 million while interest and other income grew 65.6 percent to P58.7 million.

Total expenses, however, increased by over 51 percent to P166.6 million. Thus, net income generated for the year amounted to only P3.8 million.

Limited finances and manpower have, as usual, continued to pose obstacles to the effort to pursue payoff with greater intensity. During the year, only 52 closed banks were serviced and depositors' claims amounting to P267.8 million were paid off. Newly closed rural banks have been scheduled for both pre-payoff and payoff operations during the latter part of 1987.

An aggressive campaign was conducted to collect deficiencies in premiums from banks as well as amortizations on subrogated deposits and financial assistance. As part of the examination function, 1,120 certified statements of deposits submitted by banks for purposes of assessment were verified and reviewed during the year.

In response to the call of the banking sector to strengthen and rationalize PDIC operations, an inter-agency task force was formed with representatives from the private banking sector, Central Bank, Ministry of Finance, and PDIC to study and assess the present deposit insurance system with a view towards determining the long-term viability of the Corporation.

A significant development during the year was the adoption of an improved and simplified accounting system in line with the objective to effect economy in operations and achieve work simplification and better internal control.

Outlook

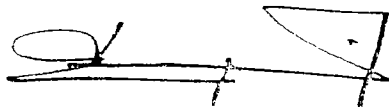
We are cognizant of the need for far-reaching changes in the deposit insurance structure in anticipation

of new developments in the financial environment. Therefore, we would like to reassure the banking system that PDIC has the capability to respond effectively to these developments.

In the continuing effort to protect depositors and maintain public confidence in the banking system, we have set priorities for payment of claims against closed banks. Prospects for increasing our deposit insurance resources are now assured with the release in early 1987 of P200.0 million from the National Treasury as part of the capitalization of the Corporation.

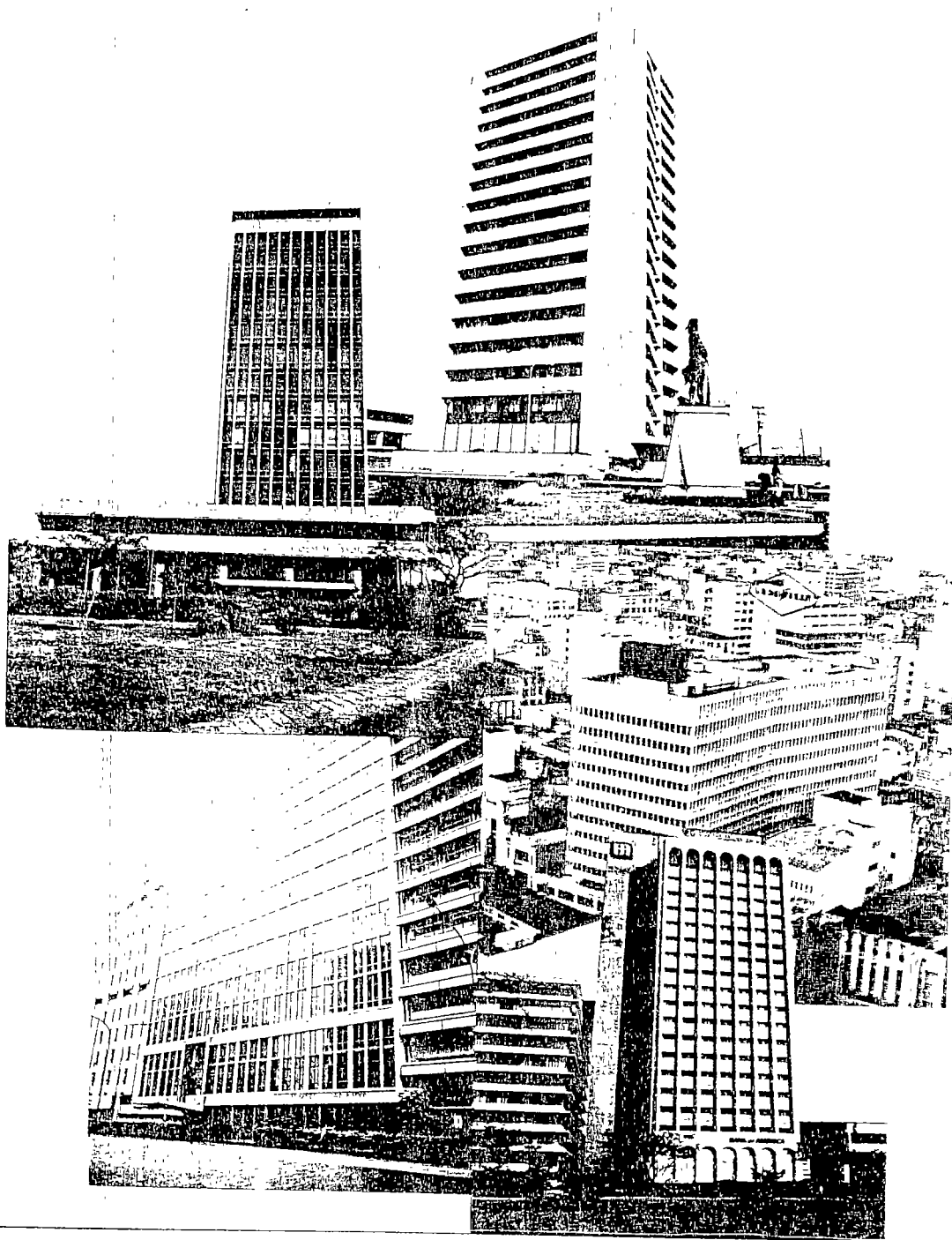
We will continue to pursue professionalism and organizational efficiency in the service. More importantly, we will expand the program on human resource development, including those in the area of examination and payoff.

We always look forward to the Central Bank and the banking community for their active support in meeting our commitments to the depositing public.



EUGENIO NIERRAS, JR.
Acting President

Review of 1936 Operations



PDIC Member Banks

Twenty-five bank closures and two mergers reduced the number of banks operating nationwide from 1,056 in 1985 to 1,029 at end-December 1986.

The number of banks by type and the number of branch offices for each type are shown below.

increased its branch network through its absorption of Paramount Development Bank, making it one of the biggest private development banks in the country today. The other merger was that of First Iligan SLA, Inc. and Davao SLA, Inc., with the former as the surviving bank.

NUMBER OF PDIC MEMBER BANKS		
Type of Bank	No. of Banks	No. of Offices
Commercial Banks	30	1,735
Savings & Mortgage Banks	7	220
Private Development Banks	44	174
Stock Savings & Loan Associations*	65	156
Rural Banks	880	208
Specialized Government Banks	3*	97
ALL BANKS	1,029	2,590

[*Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP), and Philippine Amanah Bank (PAB)]

The 25 banks closed by the Monetary Board in 1986 were all rural banks mostly situated in Luzon and the Visayas. Two rural bank branches along with four other types of rural banking offices also ceased operations during the year. Urban Development Bank in-

New banking offices opened during the year included 28 branches and 8 savings agencies of commercial banks; 7 savings offices and 25 savings agencies of savings banks; 7 branches of private development banks; and 3 branches of stock SLAs.

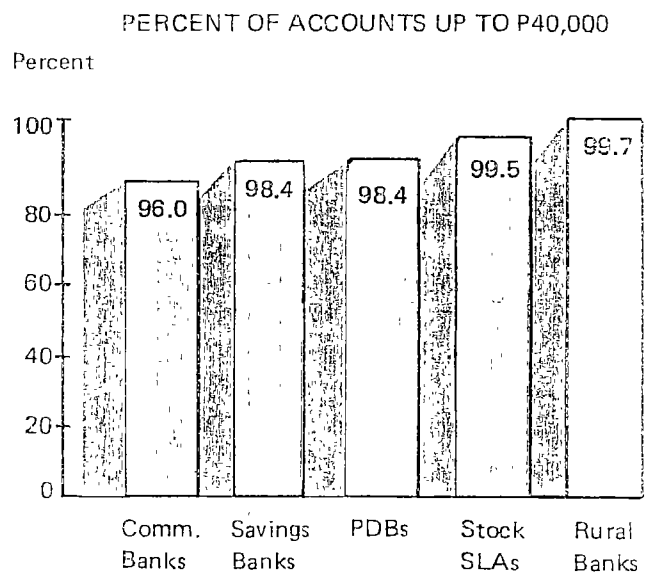
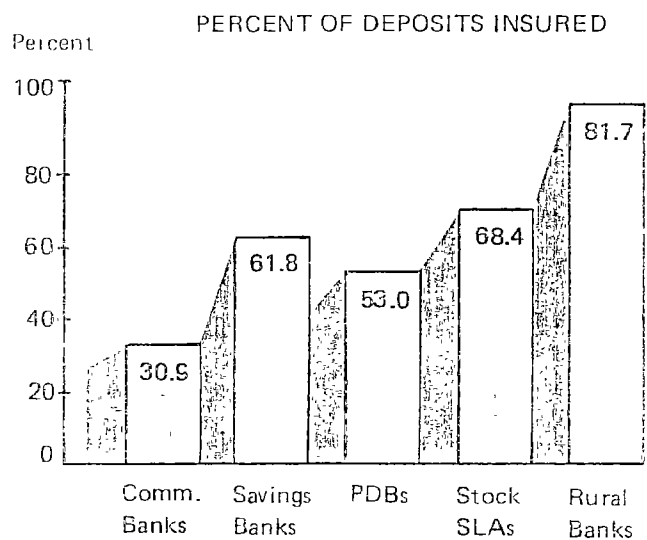
PDIC Risk Exposure

On December 31, 1986, the Philippine's banking system reported total deposits of ₱176,086 million. Of this, an estimated ₱60,047 million or 34.1 percent were insured. The uninsured portion of the deposits amounted to ₱116,039 million, representing 65.9 percent of the total deposits.

The banking system reported a total of over 21.050 million deposit accounts as of the same period. Accounts with balances not exceeding ₱40,000 made up about 97.4 percent of the total number of accounts.

Deposits in commercial banks were 30.9 percent covered by the ₱40,000 insurance limit compared with 61.8 percent coverage in savings banks. For the private development banks, the amount covered by insurance totalled ₱1,693 million or 53.0 percent; for stock SLAs, ₱1,796 million or 68.4 percent; and for rural banks, ₱2,908 million or 81.7 percent. The government-owned Development Bank of the Philippines (DBP) had 19.0 percent of its ₱707 million deposits insured.

The estimates for December 31, 1986 covered 954 operating banks: 32 commercial banks including two specialized government banks, 7 savings banks, 44 development banks including the DBP, 65 stock savings and loan associations, and 806 rural banks.



Payoff and Liquidation Activities

Policies geared towards sound and responsible banking instituted by the monetary authorities in the last two years resulted in fewer banks closed in 1985 than in the preceding 1985 period.

The 25 rural banks closed during the year had combined deposits of P47.2 million, of which about 83 percent or approximately P39.0 million are insured by PDIC to the P40,000 maximum for each depositor. Payoff in these banks will begin immediately after PDIC has verified the banks' deposit records.

Manpower shortage slackened the pace of payoff activity in 1986. Of 65 closed banks scheduled to be paid that year, only 52 were serviced by PDIC Claim Agents. Consequently, the amount of claims paid constituted a low 31 percent of the P852.2 million insured deposits programmed for payment, while the number of accounts corresponding to those claims made up about 7 percent of the total programmed.

The following table shows PDIC payments in 1986 for banks closed in 1985 and prior years.

Insured deposits of Banco Filipino amounting to P17.127 million in 19,835 deposit accounts were paid through the Philippine National Bank (PNB), from January 8

Type of Bank	Number of Banks Closed	PDIC Payment (in millions)	
		Number of Accounts	Amount
Commercial Banks	1	9,879	28.032
Savings Banks	2	29,866	81.162
Private Development Banks	2	3,350	24.541
Stock SLAs	17	19,732	95.790
Rural Banks	30	11,447	38.291
TOTAL	52	74,274	267.816

[NOTE: After net adjustments, the number of accounts and amount of deposits paid totalled 72,985 and P265.585 million, respectively.]

to December 3, 1986. On the other hand, the payment of the bank's insured foreign currency deposits was undertaken by PDIC Claim Agents. From July 21, 1986 to December 31, 1986, a total of P426.3 million (or the equivalent of U.S. \$23.3 million) in 51 accounts had been paid.

The year's payoff has brought the total of insured deposits serviced under R.A. No. 3591, as amended, to P1,847.7 million from 1970 to 1986. The deposits were those of 148 out of a total of 189 banks closed by the monetary authorities during that period.

The Corporation has scheduled for 1987 the filing of claims for subrogated deposits against five rural banks under liquidation amounting to a total of P8.7 million, after a verification of payments made by PDIC of their insured deposits. The banks involved are RB of Balagtas, RB of Buruanga, RB of Las Piñas, RB of Mantecao, and RB of Panitan.

Assessment and Examination

Collections of premium deficiencies including interest thereon totalled P8.2 million in 1986, based on billings made that year and before. Billings remaining unpaid as of the end of the year amounted to a total of P68.3 million, of which about P48.0 million represented billings made out to the four branches of foreign banks in the Philippines.

The Corporation also collected amortization payments for subro-

gated deposits of Planters Bank, RB of Asingan, and Island Savings Bank, amounting to P0.3 million. Repayments on financial assistance amounting to P0.8 million were made by RB of Davao and RB of Dingle.

Examinations conducted by the Corporation during the year were largely for the purpose of determining the amount of insurance assessment. These included field audits of 131 certified statements

furnished by commercial banks and savings banks, and desk audits of 990 certified statements submitted by rural banks, private development banks, and stock SLAs.

Problems arising from assessment and the accomplishment of the regular certified statements of deposits are often resolved by means of dialogs or conferences with directors and officers of the banks concerned.

Legal Developments

Majority of cases and/or problems brought to the Legal Department for resolution had to do with payoff, assessment, and personnel. The most important of these are the following:

1. Acceptability for payoff purposes of special power of attorney in favor of a depositor, executed and notarized abroad but not authenticated by a Philippine diplomatic or consular official.
2. Insurability of deposits received after cutoff date.
3. Proposed amendments to the provisions of R.A. No. 3591, as amended, pertaining to the registration by the owner of a negotiable certificate of time deposit.
4. Whether or not dormant savings deposits lodged under the "Due to the Treasurer of the

Philippines" account are insured deposits and if so to whom are they payable by PDIC.

5. Deposits of persons and firms whose bank accounts were frozen by the Central Bank.

6. Cutoff dates for insured deposits with the closed Rural Bank of Sta. Cruz (Laguna), Inc.

7. Final payoff of insured deposits with the closed Thrift SLA, Inc.

8. Letter of a private commercial bank raising objections to the assessment made on foreign currency deposit accounts booked under "Foreign Bills Payable".

9. Authority of the PDIC Board of Directors to reset the prescriptive dates fixed by law.

10. Proposed amendment to Board Resolution No. 128 dated October 25, 1984 with respect to

the modes of giving the requisite notice to unserved depositors of closed banks.

11. Medical benefits of Commission on Audit (COA) personnel assigned to the Corporation.

12. Determination of the effectivity of Executive Order No. 19 in relation to the request of COA personnel for membership in the PDIC Provident Fund.

Also during the year, the Legal Department worked closely with the Office of the Government Corporate Counsel (OGCC) in the handling of suits initiated by two branches of foreign banks against PDIC arising from assessment. These cases are awaiting settlement in the courts.

Other Developments

Based on a proposal made by the private sector for the reorganization of the PDIC and the amendment of its bylaws to ensure its continued viability, the Governor of the Central Bank has directed the creation of a committee consisting of representatives from the Bankers Association of the Philippines (BAP), one representative each from the Ministry of Finance and the PDIC, and two from the Central Bank to study PDIC operations in the context of:

- Building up the deposit insurance fund through increased PDIC capitalization;
- * Increasing the maximum assessment rate for deposit insurance or varying such rate on the basis of a bank's rating after an examination;
- * Enlarging the deposit insurance base for assessment purposes;
- * Increasing and/or varying the maximum insurance coverage on deposits by type of deposit;
- * Diversifying the PDIC investment portfolio;
- * Reinsuring PDIC's risk;
- * Aiding banks in financial difficulties through advances not only to prevent their closure but also to restore

them to normal operation; and

- * Streamlining procedures for paying off depositors in closed banks.

The year 1986 also saw the implementation effective April 1, 1986 of the Simplified Voucher Accounting System in place of the ticket system. The new accounting system was the result of a thorough and intensive study undertaken by the Management Services Office which found the ticket system too costly to maintain and no longer responsive to the needs of the Corporation. The use of special books to control cash transactions including payoff operations is one feature of the new system.

On August 26, 1986, the Corporation created an Expense Control Committee composed of three members to perform the following functions:

1. Study and analyze the expenses/expense accounts of the Corporation and recommend for the approval of the President procedures on requisition and procurement as well as measures which will eliminate or reduce to the minimum the expenditures consistent with the requirement of the service without sacrificing efficiency and

effectiveness.

2. Approve and/or recommend approval of requisitions for supplies, materials, furniture, equipment and/or labor involving routine and non-routine expenditures in such amounts prescribed or as may be prescribed by the Board from time to time.
3. Act as Committee on Bids with power to promulgate rules and regulations necessary for the conduct of the bidding.

The Committee members are the Manager of the Assessment and Examination Department as chairman, the Manager of the Treasury Department, and the Systems Development Officer.

At the same time, the Corporation created an ad hoc Committee on Payoff Rules tasked with the following functions:

1. To study, gather and review problems encountered during payoff operations as well as the solutions/answers therefor such as legal opinions, decisions of the Claims Liquidation Committee and practices established in the course of payoffs by the Corporation.
2. To analyze and evaluate these problems and find solutions

Personnel and Administration

with the end in view of formulating payoff rules consistent with the usages and practices of the Philippine depositing public and the banking system in accordance with existing laws and jurisprudence.

3. To recommend to the Board of Directors the adoption of such payoff rules as may be considered necessary and reasonable in the implementation of R.A. No. 3591, as amended, within five months from date of its constitution.

The Corporation published two issues of the *Monograph* during the year for distribution to PDIC member banks. Appearing semi-annually, the publication features on a regular basis statistics of banks and deposit insurance, banking news and developments, and banking regulations.



The only appointment issued during the year was that of the vacant position of Legal Officer. On the contrary, 51 casual employees previously hired to assist in payoff were terminated in the latter part of 1986. Upon approval of the Ministry of Budget and Management, only 30 casual employees will be rehired in 1987 when PDIC resumes payoff in closed banks. As of the end of the year, there are 35 regular items in the Corporation plantilla still unfilled.

Central Bank Deputy Governor Eugenio Nierras, Jr. continued as president of the Corporation in an acting capacity. He is also a member of the PDIC Board of Directors of which Central Bank Governor Jose B. Fernandez, Jr. is the chairman. The other member of the Board is Undersecretary of Finance and National Treasurer Victor C. Macalincag.

The welfare of employees being one of its primary concerns, PDIC in 1986 granted its employees certain benefits, as follows:

1. A one-step salary adjustment benefiting more than 50 employees who have rendered one-year satisfactory service was implemented pursuant to LOI No. 104, dated October 12, 1979. This salary adjustment is given every anniversary date of an employee's original appointment, promotion, or last salary adjustment based on satisfactory performance.
2. An anniversary cash gift of ₱600 was granted each employee who was listed in the Corporation's roster as of June 22, 1986. PDIC's

Many of the problems the Corporation has encountered during recent times are on these areas:

1. The inadequacy of the PDIC deposit insurance resources in relation to its risk exposure, brought about by continuing bank closures. While PDIC's capitalization has been increased to ₱2 billion, only ₱420 million of this amount has been released to PDIC by the National Treasury. Consequently, the Corporation has to resort to its borrowing power to be able to sustain its insurance operations. PDIC borrowings from the Central Bank have increased substantially due to recent bank closings.
2. Due to manpower lack, personnel from other departments of

3. A Christmas bonus equivalent to one-month salary and a cash gift of ₱500 were granted each employee last December.
4. During the early part of 1986, PDIC implemented Executive Order No. 1000 issued on January 25, 1985 which granted salary increases to all government officials and employees retroactive to January 1, 1985.
5. The Board of Trustees of the PDIC Provident Fund has proposed to management the establishment of a housing program

the Corporation were utilized in payoff operations. In spite of this, PDIC has not been able to fully service closed banks. To aggravate the situation, the Ministry of the Budget and Management has restrained PDIC from hiring the necessary personnel for its field operations.

3. Considering the high confidentiality attached to information related to a bank's solvency position, PDIC has not been able to gain immediate access to the deposit records of an insolvent bank until it is officially declared so by the Central Bank. The bank is thus afforded ample opportunity to manipulate its records including the splitting of individual accounts of over ₱40,000 for insurance purposes.

Employee Benefits and Programs

for employees to enable them to acquire and/or build houses of their own or renovate existing residential houses owned by them. The Board is yet to approve this proposal.

6. The PDIC Board of Directors has approved the membership of COA personnel assigned to the Corporation in the Provident Fund effective December 1, 1986.

Problems and Constraints

4. Of a smaller dimension, the Commission on Audit also has affected the operations of the PDIC in 1986. The suspension by COA of the travel allowances of field personnel has considerably slowed down the progress of payoff resulting in adverse reactions from the depositing public.
5. The reluctance or unwillingness of some banks to act as transferee banks for insured deposits.

Program for 1987

The main thrust of the PDIC's 1987 program will be to service the depositors of 74 banks closed in 1986 and prior years. These banks have estimated unserviced insured deposits of P182.0 million, of which about 81 percent constitute insured deposits of eight stock SLAs and 63 rural banks.

At the same time, payments of pending claims received on or before prescription will be undertaken in banks closed in 1984 and 1985. The number of claims to be serviced will depend on the compliance by claimants of all PDIC requirements. The unserviced claims that have prescribed number approximately 15,000 amounting to P77.6 million.

Assessment work will be concentrated in the following areas: 1) field audit of 176 certified statements of 32 commercial banks and 12 savings banks and development banks; 2) desk audit of 1,500 certified statements of rural banks and stock SLAs; 3) collection of deficiencies in assessment and amortizations on financial assistance and subrogated deposits; and 4) conferring with bank officials to thresh out assessment problems.

Personnel program includes: 1) undertaking a well-balanced personnel program designed to raise the level of efficiency, effectiveness

and morale of personnel; 2) maintaining effective liaison with the Civil Service Commission (CSC), Office of Compensation & Position Classification, Ministry of the Budget and Management, and other agencies with whom PDIC has constant dealings regarding personnel management; and 3) formulation and execution of policies, rules, regulations or orders in all areas of personnel management in accordance with CSC laws, rules and other pertinent regulations.

As to the program in management services, future efforts will be addressed to: 1) monitoring of the newly implemented accounting system; 2) improving controls and operating systems and procedures in the handling, accounting, and recording of payoff funds; 3) improving management information system to ensure accurate and prompt submission of reports; and 4) restudying the feasibility of computerizing the Corporation's vital operations.

On research and statistics: 1) bringing up to date relevant research and statistical information required by management in planning and decision-making; 2) improving statistical series on banks and deposit insurance to reflect adequately developments in these areas; 3) training of research and

statistical personnel in Statistics and related fields; 4) monitoring compliance by banks with PDIC report requirements, particularly the report of deposit liabilities (by size of account) required for the purpose of determining PDIC's risk.

For 1987, the Legal Department will concentrate mainly on 1) rendering legal advice and opinions on queries/problems arising from corporate activities and personnel discipline; 2) conducting studies and researches on issues involved in the implementation of the PDIC law; 3) providing appropriate comments/recommendations to management regarding new laws, rules, and other issuances affecting the Corporation; and 4) coordinating with the Office of the Government Corporate Counsel on PDIC problems/cases referred to it.

Financial Highlights

Assets

The assets of the Corporation increased by a slight 1.0 percent or 21.6 million to P3,841.4 million at the close of 1986. The increase in resources was due largely to improvements in current assets and assets acquired in bank assistance and deposit subrogation transactions. The former rose 158.9 percent to P855.3 million while the latter rose 20.0 percent to P1,830.3 million.

Government obligations owned by the Corporation declined 58.8 percent from P181.6 million in 1985 to P74.8 million in 1986. Of these holdings, P69.3 million were long-term issues consisting of NHMFC Bahayan Certificates and DBP Countryside Bills. The short-term holdings amounting to P5.5 million lodged under "Current Assets" were all in Treasury Bills maturing within the first quarter of 1987.

Assets of the Corporation at the end of the year also included fixed assets of P3.5 million and a permanent insurance fund receivable of P1,580.0 million which represents additional capital contribution of the government authorized under P.D. No. 1985 of October 4, 1985.

Liabilities

As of the same period, total liabilities of the Corporation stood at P1,243.5 million, an increase of P31.1 million or 3.0 percent over that of the previous year. The biggest liability items comprised notes payable amounting to P920.0 million and accrued interest thereon totaling P196.5 million. Fund requirements arising from the series of bank closures occurring since

1984 occasioned these borrowings from the Central Bank.

In addition, the Corporation had P123.7 million accounts payable to the Philippine National Bank, representing the excess funds released by that bank for payment of Banco Filipino depositors over the funds advanced by PDIC.

Deposit Insurance Fund

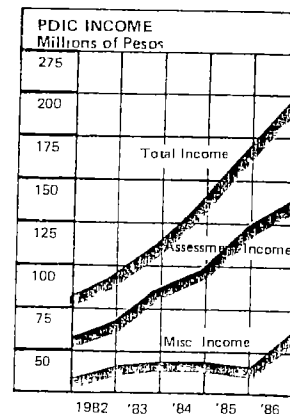
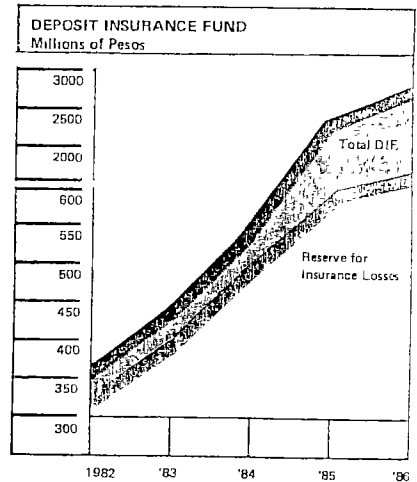
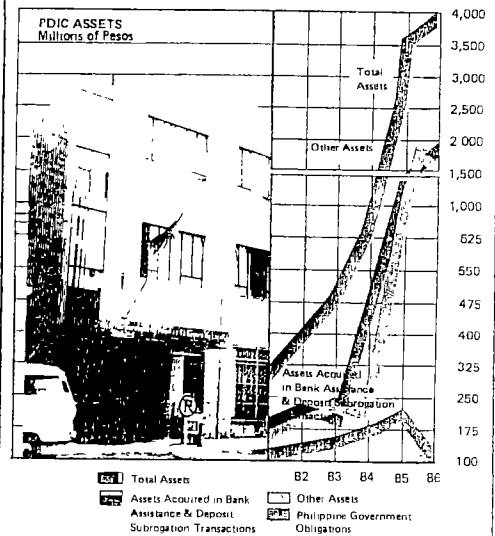
The Fund used in satisfying depositors' claims of insured deposits in closed banks showed a decline of P9.4 million or 0.4 percent to P2,597.9 million at end-December 1986. Reserve for Insurance Losses, a component of the Fund, recorded a decrease of 3.0 percent of P16.0 million, to P580.3 million. On the other hand, retained earnings rose 60.0 percent from P11 million to P17.0 million.

Income and Expenses

The total operating income of the Corporation for the year 1986 rose 21.0 percent or by P33.7 million to P194.8 million. About 69.9 percent of this, or P136.2 million, represented earnings from assessments. Interest earned on deposits and investments amounted to P37.4 million and other income totalled P21.2 million.

An amount of P24.4 million was deducted from total operating income as the year's provision for insurance losses. After the allocation, net income realized amounted to 3.8 million.

Operating and administrative expenses at P166.6 million exceeded the 1985 level by 51.0 percent or 56.3 million. The increase in expenses was due to the large interest payments on PDIC borrowings from the Central Bank.



Financial Highlights

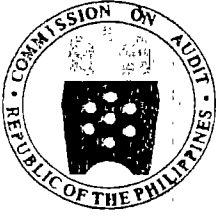
(PESO AMOUNTS IN THOUSANDS)

RESULTS OF OPERATIONS

	December <u>1986</u>	December <u>1985</u>	Increase/(Decrease)	
			Amount	Percent
Total Income	P 194,851	P 161,098	P 33,753	21.0
Total Expenses	<u>166,608</u>	<u>110,345</u>	<u>56,263</u>	<u>51.0</u>
Operating Income Before Provision for Losses	28,243	50,753	(22,510)	(44.0)
Less: Provision for Losses	<u>24,444</u>	<u>48,418</u>	<u>(23,974)</u>	<u>(50.0)</u>
Net Income Before Extra- Ordinary Loss	3,799	2,335	(1,464)	(63.0)
Less: Extraordinary Loss;	—	<u>6,717</u>	<u>(6,717)</u>	<u>(100.0)</u>
Net Income (Loss)	<u>P 3,799</u>	<u>(P 4,382)</u>	<u>(P 8,181)</u>	<u>(187.0)</u>

FINANCIAL CONDITION

Total Assets	<u>P3,841,381</u>	<u>P3,819,730</u>	<u>P 21,651</u>	<u>1.0</u>
Current Assets	855,329	331,808	523,521	158.0
Long Term Investments	69,270	76,990	(7,720)	(10.0)
Assets Acquired in Bank Assistance & Deposit Subrogation Transaction	1,830,353	1,524,738	305,615	20.0
Property and Equipment	3,473	3,771	(298)	(8.0)
Other Assets	1,082,956	1,882,423	(799,467)	(42.0)
Total Liabilities and Deposit Insurance Fund	<u>P3,841,381</u>	<u>P3,819,730</u>	<u>P 21,651</u>	<u>1.0</u>
Total Liabilities	<u>P1,243,481</u>	<u>P1,212,419</u>	<u>P 31,062</u>	<u>3.0</u>
Current Liabilities	321,838	135,307	186,531	138.0
Long Term Liabilities	920,000	1,070,000	(150,000)	(14.0)
Other Liabilities and Deferred Credits	1,643	7,112	(5,469)	(77.0)
Deposit Insurance Fund	<u>P2,597,900</u>	<u>P2,607,311</u>	<u>(P 9,411)</u>	<u>(0.4)</u>
Permanent Insurance Fund	2,000,000	2,000,000	—	—
Retained Earnings	17,564	10,994	6,570	60.0
Reserve for Insurance Losses	580,336	596,317	(15,981)	(3.0)



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
CENTRAL OFFICE

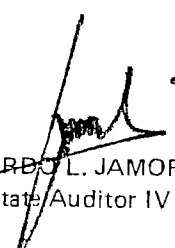
Don Mariano Marcos Avenue, Quezon City, Philippines
Tel. Nos. 98-17-31; 99-26-81; 99-54-02; 96-79-88; 98-72-66; 98-07-59

The Board of Directors
Philippine Deposit Insurance Corporation
Makati, Metro Manila

We have examined in compliance with Section 2, Article IX-D of the Philippine Constitution, pertinent provisions of Presidential Decree No. 1445, and Sections 15(b) and (c) of Republic Act 3591, as amended, the statement of condition of the Philippine Deposit Insurance Corporation as of December 31, 1986 and related statement of income and expenses for the year then ended.

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The corporation failed to take up in the books of accounts collectible deficiency assessment premiums of P68.267 million and P124.862 million estimated liabilities to depositors of closed banks. Also, the Corporation failed to update bank reconciliation statement of 407 bank accounts with total deposit balance of P86.126 million.

In our opinion, except for the effect on the accounts of the foregoing comments, the accompanying statement of condition and statement of income and expenses fairly present the financial position of the corporation as at December 31, 1986, and the results of its operations for the year then ended, in conformity with the applicable laws and regulations and generally accepted accounting principles applied on a basis consistent with that of the preceding year.


LEONARDO L. JAMORALIN
State Auditor IV

March 12, 1987

Statements of Condition

As of December 31, 1986 and 1985

ASSETS	<u>1986</u>	<u>1985</u>
CURRENT ASSETS		
Cash, including Time Deposits of P204,540,000 and P129,000 with PNE in 1986 and 1985	P 226,724,726	P 143,345,321
Payoff Funds (Note 2)	84,628,723	58,117,788
Philippine Government Obligations -- (Current Portion) (Note 3)	5,538,870	104,600,000
Permanent Insurance Fund Receivable -- (Notes 1, 4 and 9)	500,000,000	-
Due from Bureau of Internal Revenue -- (Notes 5 and 13)	10,387,959	10,387,959
Accounts and Other Receivables -- (Note 6)	27,712,273	14,976,413
Inventory of Supplies and Materials	325,303	380,946
Prepaid Expenses	10,714	-
Total Current Assets	<u>855,328,568</u>	<u>331,808,427</u>
LONG TERM INVESTMENTS		
Philippine Government Obligation -- Net of Current Portion (Note 3)	<u>69,270,000</u>	<u>76,990,000</u>
ASSETS ACQUIRED IN BANK ASSISTANCE AND DEPOSIT SUBROGATION TRANSACTIONS -- (Notes 1 and 7)		
	<u>1,830,352,994</u>	<u>1,524,738,085</u>
PROPERTY AND EQUIPMENT (Net) at Cost -- (Note 8)		
	<u>3,473,381</u>	<u>3,771,207</u>
OTHER ASSETS (Note 9)		
	<u>1,082,956,428</u>	<u>1,882,422,567</u>
CONTINGENT ACCOUNT		
Funds Held in Trust Under RA 5517 -- (Note 15)	<u><u>P8,044,187</u></u>	
TOTAL ASSETS	<u><u>P 3,841,381,371</u></u>	<u><u>P 3,819,730,286</u></u>

LIABILITIES & DEPOSIT INSURANCE FUND

	<u>1986</u>	<u>1985</u>
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses (Note 10)	P 197,140,765	P 89,854,251
Due to PNB (Note 11)	123,715,446	40,199,848
Due to GSIS	224,047	138,919
Due to Officers and Employees	485,308	574,069
Income Tax Payable – Estimated	—	91,598
Withholding Tax	30,422	26,849
Pag-Ibig Premiums Payable	5,934	15,440
Provident Fund Contributions and Loans Payable	235,782	135,447
Unearned Discounts	—	<u>4,270,237</u>
 Total Current Liabilities	 <u>321,837,704</u>	 <u>135,306,658</u>
LONG TERM LIABILITY		
Notes Payable – Central Bank (Note 12)	920,000,000	1,070,000,000
OTHER LIABILITIES AND DEFERRED CREDITS		
Funds Held in Trust (Note 15)	—	5,525,887
Due to Perpetual Savings Bank	1,000,000	—
Contingent Liability (Note 9)	167,029	—
Deferred Assessment Income	109,030	53,568
Deferred Discounts	367,601	<u>1,532,718</u>
 Total	 <u>1,643,660</u>	 <u>7,112,173</u>
 Total Liabilities	 <u>1,243,481,364</u>	 <u>1,212,418,831</u>
DEPOSIT INSURANCE FUND		
Permanent Insurance Fund (Note 4)	2,000,000,000	2,000,000,000
Retained Earnings (Note 13)	17,564,326	10,993,857
Reserve for Insurance Losses (Notes 1 and 14)	<u>580,335,681</u>	<u>596,317,598</u>
 Total Equity	 <u>2,597,900,007</u>	 <u>2,607,311,455</u>
 TOTAL LIABILITIES AND DEPOSIT INSURANCE FUND	 P <u>3,841,381,371</u>	 P <u>3,819,730,286</u>

Statements of Income and Retained Earnings

For the Years Ended December 31, 1986 and 1985

INCOME	<u>1986</u>	<u>1985</u>
Assessment Income (Note 1)	P 136,179,537	P 125,667,464
Interest Earned	37,458,661	33,227,121
Earned Discounts	21,201,567	2,190,550
Miscellaneous Income	11,523	12,942
Total Income	<u>194,851,288</u>	<u>161,098,077</u>
EXPENSES		
Personal Services	9,311,828	9,632,720
Management Expenses	2,493,980	2,186,838
Property Expenses	757,339	897,288
Communications	242,256	232,971
Interest Expense	152,508,794	88,644,915
Travel	955,855	890,242
Taxes	97,599	7,696,267
Others	240,102	163,294
Total Expenses	<u>166,607,753</u>	<u>110,344,535</u>
INCOME BEFORE PROVISION FOR INSURANCE LOSSES	28,243,535	50,753,542
PROVISION FOR INSURANCE LOSSES (Notes 1 and 16)	<u>24,444,000</u>	<u>48,418,259</u>
NET INCOME BEFORE EXTRAORDINARY LOSSES	3,799,535	2,335,283
EXTRAORDINARY LOSSES:		
Loss on Pre-Termination of Investment	<u>-</u>	<u>6,717,200</u>
NET INCOME (LOSS)	<u>3,799,535</u>	<u>(4,381,917)</u>
RETAINED EARNINGS, JANUARY 1 (Note 12)	10,993,857	4,809,847
Add: Prior Year's Adjustments	2,254,027	10,565,927
Contingent Surplus (Note 9)	516,907	-
	<u>13,764,791</u>	<u>15,375,774</u>
RETAINED EARNINGS, DECEMBER 31	<u>P 17,564,326</u>	<u>P 10,993,857</u>

Statements of Changes in Financial Position

for the Years Ended December 31, 1986 and 1985

	<u>1986</u>	<u>1985</u>
WORKING CAPITAL WAS PROVIDED FROM		
Operations		
Net Income — (Inclusive of Prior Year's Adjustments)	P 6,053,562	P 6,184,010
Add: Items not Requiring Working Capital		
Depreciation	452,129	480,699
Reserve for Insurance Losses	24,444,000	48,418,259
Contingent Surplus	516,907	—
Total from Operations	<u>31,466,598</u>	<u>55,082,968</u>
Collection of Loans/Bank Assistance	2,435,078	1,145,613
Remittances by the National Treasury	300,000,000	—
Matured Securities Guaranteed by the Philippine Government Obligations	7,720,000	87,470,000
Long Term Borrowings — CB	—	1,070,000,000
Increase in Capitalization	—	1,980,000,000
Decrease in Other Assets	500,155,244	—
Increase in Other Liabilities	1,222,491	—
Total Working Capital Provided	<u>842,999,411</u>	<u>3,193,698,581</u>
WORKING CAPITAL WAS USED FOR		
Subrogated Claims Paid	346,975,904	1,131,232,293
Bank Assistance	1,500,000	63,712,436
Additions to Property & Equipment	154,303	72,854
Reduction of Long Term Debt — CB	150,000,000	—
Increase in Other Assets	689,105	1,864,885,625
Decrease in Other Liabilities	6,691,004	8,592,117
Total Working Capital Used	<u>506,010,316</u>	<u>3,068,495,325</u>
INCREASE IN WORKING CAPITAL	<u>P 336,989,095</u>	<u>P 125,203,256</u>

CHANGES IN WORKING CAPITAL ACCOUNTS

INCREASE/(DECREASE)

CURRENT ASSET

1986

1985

Cash in Bank	P 83,379,405	P 130,141,799
Payoff Funds	26,510,935	39,812,815
Permanent Insurance Fund Receivable	500,000,000	—
Due from Bureau of Internal Revenue	—	10,387,959
Accounts and Other Receivables	12,735,860	5,328,287
Philippine Government Obligation	(99,061,130)	73,170,000
Other Current Assets	(44,929)	257,433

Increase (Decrease) in Current Assets

523,520,141

259,098,293

CURRENT LIABILITIES

Accounts Payable & Accrued Expenses	107,286,514	89,038,039
Due to Philippine National Bank	83,515,598	40,199,848
Unearned Discounts	(4,270,237)	4,270,237
Other Payables	(829)	386,883

Increase (Decrease) in Current Liabilities

186,531,046

133,895,037

INCREASE IN WORKING CAPITAL

P 336,989,095

P 125,203,256

Notes to Financial Statements

for the Years Ended December 31, 1986 and 1985

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Change in the Accounting System – The Simplified Voucher System was adopted by PDIC to replace the outmoded ticket system pursuant to Resolution No. 62 dated May 22, 1986

Specialized Journals are being used to effectively control cash transactions including payment of insured deposits.

The new system is being reviewed jointly by the Ad Hoc Committee created under Office Order No. 9 (Series of 1986) and the Audit Team from the Commission on Audit to ensure compliance with government accounting regulations.

1.2 Reclassification of Accounts – The following accounts in the 1985 statement of condition were reclassified

a) Advances to Commercial Bank of Manila amounting to P1.5 million, from Accounts and Other Receivables to Assets Acquired in Bank Assistance and Deposit Subrogation Transactions

b) Current portion of Permanent Insurance Fund Receivables totalling P500 million scheduled for release in 1987, from Other Assets to Current Assets.

1.3 Reserve for Losses on Subrogated Claims Paid/Estimated Insurance Losses – Pursuant to Resolution No. 156 dated December 4, 1986, the PDIC Board of Directors provided valuation reserve for insurance losses on subrogated claims paid depending on the dates of closure, 50% of subrogated claims paid shall be distributed over a period of five to ten years

Reserve for losses on Subrogated Claims Paid and Estimated Insurance Losses accounts are treated as deductions from Subrogated Claims Paid and Reserve for Insurance Losses accounts, respectively

NOTE 2 – PAYOFF FUNDS

The account consisted of deposits maintained with various banks in cities and municipalities where closed banks are situated for the purpose of paying insured deposits

The breakdown of this account is shown below.

	<u>1986</u>	<u>1985</u>
Cash in Bank		
Current Account	P 80,785,455	P 56,124,358
Savings Account	3,792,364	1,993,430
	<u>84,577,819</u>	<u>58,117,788</u>
Cash with Claims Agents		
Total	50,904	—
	<u>P 84,628,723</u>	<u>P 58,117,788</u>

Cash with claim agents represent cash withdrawn from bank accounts to pay insured deposits from P500 and below which at the time of submission of reports was under the custody of the claim agents but was subsequently deposited in banks

NOTE 3 – PHILIPPINE GOVERNMENT OBLIGATIONS

Investment in government securities consisted of the following

	<u>1986</u>	<u>1985</u>
9% DBP Countryside Bills	P 7,870,000	P 9,090,000
14% NMFC Bahayan Mortgage Participating Certificates	61,400,000	61,400,000
8 1/2% Treasury Bills	—	104,600,000
Treasury Notes	<u>5,538,870</u>	<u>6,500,000</u>
Total	74,808,870	181,590,000
Less: Current Portion	<u>5,538,870</u>	<u>104,600,000</u>
Long Term Investment	<u>P 69,270,000</u>	<u>P 76,990,000</u>

Investment in PGO are stated at maturity value and the difference from cost are amortized monthly over the life of securities.

NMFC Bahayan Mortgage Participating Certificates and DBP Countryside Bills will mature in 1988 and 1989, respectively. The bulk of these securities was purchased at discount ranging from 2% to 24%

NOTE 4 – PERMANENT INSURANCE FUND RECEIVABLE

The Permanent Insurance Fund (Capital) of the Corporation was increased from P20 million to P2.0 billion pursuant to P.D. No. 1985 dated October 4, 1985. Of the increase, P420 million was released in 1986 and P500 million has been scheduled for release in 1987.

NOTE 5 – DUE FROM BUREAU OF INTERNAL REVENUE

The account represented the amount collectible from the BIR for premium taxes paid in 1984-1985 pursuant to BIR Ruling No. 229-000-00-074-86 dated June 17, 1986 granting the PDIC exemption from the payment of premium tax under Section 223 of the Tax Code as amended

NOTE 6 -- ACCOUNTS & OTHER RECEIVABLES

The following comprised the account:

	1986	1985
Accounts Receivable	P 191,390	P 1,663,067
Accrued Interest Receivable	22,786,738	11,337,255
Due from Central Bank	4,451,077	-
Advances to Combank	-	1,500,000
Cash with Claim Agents	-	2,997
Due from Officers & Employees	283,068	473,094
Total	P 27,712,273	P 14,976,413

Accrued interest receivable are composed of uncollected interest on notes receivable, bank deposits and investment in government securities

Accounts receivable consisted mostly of assessment deficiencies from member banks, cost of standees and decals

Due from officers and employees represented the remaining cost recoverable for cars acquired by officers under the PDIC Car Plan

NOTE 7 -- ASSETS ACQUIRED IN BANK ASSISTANCE & DEPOSIT SUBROGATION TRANSACTIONS

Subrogated claims paid in 1986 increased by P347.0 million or 24 percent over the 1985 level of P1,446.0 billion. The breakdown of the account is as follows:

	1986	1985
Subrogated Claims Paid	P 1,792,716,406	P 1,445,740,502
Less Reserve for Losses	40,425,917	-
Net Subrogated Claims Paid	1,752,290,489	1,445,740,502
Add Notes Receivable	76,530,505	78,950,583
Deposit Assistance	32,000	47,000
Advances to Combank	1,500,000	-
Total	P 1,830,352,994	P 1,524,738,085

The PDIC Board of Directors under Resolution No. 156 dated December 4, 1986 set aside P40.43 million of the total reserve for insurance losses. The said amount is broken down as follows:

Closed banks whose depositors are barred

from claiming these deposits as of

December 31, 1986

P 38,838,817

Banks which have been closed for ten (10)

years as of December 31, 1986

1,587,100

Total

P 40,425,917

NOTE 8 -- PROPERTY AND EQUIPMENT

Property and equipment are carried at cost less accumulated depreciation computed on a straight line basis over the estimated useful life of the property. Ordinary repairs and maintenance are charged against income; major repairs or betterment are capitalized. Gain or loss is reflected in income for the period.

Property and equipment consisted of the following:

	1986		1985	
Land		P 759,000		P 759,000
Building	P 4,848,314		P 4,848,314	
Less: Depreciation	2,623,146	2,225,168	2,350,898	2,497,416
Equipment	1,393,124		1,259,274	
Less: Depreciation	938,533	454,591	777,268	482,006
Furniture and Fixtures	354,297		333,844	
Less: Depreciation	319,675	34,622	301,059	32,785
Totals		P 3,473,381		P 3,771,207

Depreciation charges amounted to P452,129 in 1986 and P480,699 in 1985

NOTE 9 – OTHER ASSETS

The following accounts comprised Other Assets

	<u>1986</u>	<u>1985</u>
Permanent Insurance Fund Receivable	P 1,080,000,000	P 1,880,000,000
Loan Receivable-Provident Fund	2,000,000	2,000,000
Deferred Transportation Expenses	216,230	370,589
Subscribing Investment	33,000	33,000
Deposit with Other Companies	17,705	12,536
Inventory of Standaes & Decals	5,171	6,056
Deposit with Bureau of Telecom	386	386
Contingent Assets	683,936	—
Totals	<u>P 1,082,956,428</u>	<u>P 1,882,422,567</u>

Permanent Insurance Fund Receivable account represented the amount unremitted by the National Treasury for the increased capitalization of PDIC pursuant to P.D. No. 1985 dated October 4, 1985. The balance of P1,080.0 million has been scheduled to be released between 1988 and 1990.

Contingent Assets represented claims for travel at P516,907 and unremitted contributions to the Provident Fund at P167,029 which were disallowed by the COA Auditor assigned to PDIC under Certificates of Settlement and Balances issued in 1986. These disallowances are on appeal with the Commission Proper, Commission on Audit.

Contra accounts—re: contingent assets were shown as contingent surplus and contingent liability in the statement of condition. Above treatments were effected upon recommendation of the COA Corporate Auditor.

NOTE 10 – ACCOUNTS PAYABLE & ACCRUED EXPENSES

The bulk of the account comprised interest payable on long-term notes to the Central Bank totalling P196,517,306 in 1986 and P88,644,915 in 1985.

NOTE 11 – DUE TO THE PHILIPPINE NATIONAL BANK

The account represented excess funds released by PNB in 1985-1986 to pay BF depositors over funds provided by PDIC totalling P566,821,791.

NOTE 12 – NOTES PAYABLE – CENTRAL BANK

Total loan granted to PDIC during 1985-1986 aggregated to P1.120 million payable in five (5) years at an average interest rate of 14 percent per annum.

In 1986, P200 million was remitted to the Central Bank as partial payment for the loan.

NOTE 13 – RETAINED EARNINGS

The beginning balance of the account for 1985 was adjusted to take up the amount of P10,387,959 due from the BIR representing premium taxes paid in 1984-1985 pursuant to BIR ruling exempting the PDIC from the payment of premium tax imposed under Section 223 of the Tax Code, as amended.

NOTE 14 – RESERVE FOR INSURANCE LOSSES

For the purpose of building up its permanent insurance fund, the Corporation has regularly provided arbitrary annual reserve chargeable against operation from the time it became operational in 1970.

There was a net decrease of P15,981,917 in 1986, or 3% less than the 1985 level of P596,317,598.

NOTE 15 – CONTINGENT ACCOUNT

The account represented funds appropriated under RA 5517 to pay depositors of closed banks including amounts collected from banks which were subsequently rehabilitated.

Pursuant to Resolution No. 122 dated August 26, 1986, the balance of P5,525,887 including collections in 1986 was transferred to the Assets Recovery Unit. The Assistant Vice-President for Corporate Services was designated as Administrator.

The total of the fund as of December 31, 1986 at P8,044,186.73 comprising of cash in bank, investment in PGO and accrued interest was shown as Contingent Account in the statement of condition.

Number of Banking Offices

Bank Group	December 31, 1986	December 31 1985	Change
<u>Commercial Banks</u>	<u>1,765</u>	<u>1,752</u>	<u>13</u>
Head Offices	30	30	—
Branches	1,513	1,485	28
Sub-Branches	12	12	—
Savings Agencies	19	11	8
Extension Offices	134	139	(5)
Money Shops/Savings Offices	41	56	(15)
Representative Offices	16	19	(3)
<u>Savings & Mortgage Banks</u>	<u>227</u>	<u>226</u>	<u>1</u>
Head Offices	7	7	—
Branches	180	180	—
Extension Offices	—	31	(31)
Money Shops/Savings Offices	8	1	7
Savings Agencies	32	7	25
<u>Private Development Banks</u>	<u>218</u>	<u>215</u>	<u>3</u>
Head Offices	44	45	(1)
Branches	104	97	7
Sub-Branches	1	1	—
Savings Agencies	17	17	—
Extension Offices	50	53	(3)
Money Shops/Savings Offices	2	2	—
<u>Stock Savings & Loan Associations</u>	<u>221</u>	<u>220</u>	<u>1</u>
Head Offices	65	66	(1)
Branches	88	85	3
Savings Agencies	47	47	—
Money Shops	17	18	(1)
Extension Offices	4	4	—
<u>Rural Banks</u>	<u>1,080</u>	<u>1,119</u>	<u>(31)</u>
Head Offices	880	905	(25)
Branches	107	109	(2)
Extension Offices	50	52	(2)
Savings Agencies	7	8	(1)
Money Shops	44	45	(1)
<u>Specialized Government Banks</u>	<u>100</u>	<u>100</u>	<u>—</u>
Head Offices	3	3	—
Branches	72	72	—
Sub-Branches	15	15	—
Savings Agencies	7	7	—
Extension Offices	3	3	—
<u>ALL BANKS</u>	<u>3,619</u>	<u>3,632</u>	<u>(13)</u>
Head Offices	1,029	1,056	(27)
Branches	2,064	2,028	36
Sub-Branches	28	28	—
Savings Agencies	129	97	32
Extension Offices	241	282	(41)
Money Shops/Savings Offices	112	122	(10)
Representative Offices	16	19	(3)

DIC Liabilities on Deposits Under the P40,000 Coverage

as of December 31, 1986

Type of Bank	No. of Banking Offices ^a	Number of Accounts			Percent of Accounts	
		Total	Up to P40,000	Over P40,000	Up to P40,000	Over P40,000
COMMERCIAL BANKS	32	12,070,112	11,583,473	486,639	95.97	4.03
SAVINGS BANKS	7	1,858,236	1,828,047	30,189	98.38	1.62
DEVELOPMENT BANKS						
PRIVATE DBs	43	857,825	844,412	13,413	98.44	1.56
DEVELOPMENT BANK OF THE PHILIPPINES	1	76,138	76,138	1,047	98.64	1.36
STOCK SLAs	65	2,073,581	2,063,492	10,089	99.51	0.49
RURAL BANKS	806	4,112,780	4,101,147	11,633	99.72	0.28
TOTAL	954	21,049,719	20,496,709	553,010	97.37	2.63

Type of Bank	Total Deposits	Amounts of Deposits (In millions)				Percent of Deposits	
		Insured Deposits			Uninsured Deposits	Percent of Deposits	
		Total Insured	Up to P40,000	Over P40,000		Insured	Uninsured
COMMERCIAL BANKS	159,044	49,216	29,750	19,466	109,828	30.94	69.06
SAVINGS BANKS	6,961	4,300	3,092	1,208	2,661	61.77	38.23
DEVELOPMENT BANKS							
PRIVATE DBs	3,191	1,693	1,157	536	1,498	53.05	46.95
DEVELOPMENT BANK OF THE PHILIPPINES	707	134	92	43	573	19.02	18.98
STOCK SLAs	2,624	1,796	1,392	404	828	68.45	31.55
RURAL BANKS	3,559	2,908	2,443	465	651	81.72	18.28
TOTAL	176,086	60,047	37,926	22,121	116,039	34.10	65.90

^aHead office only.

^bPercentages were computed before rounding of figures

Banks Closed in 1986

(Amounts in thousands of pesos)

Name of Bank	Date of Receivership	Date of CB Takeover	No. of Accounts ¹	Amount of Deposits ¹	Estimated Insured Deposits
RB of Buguey (Cagayan), Inc.	3-13-86	3-24-86	2,965	1,912	1,530
RB of Southern Cagayan (Tuguegarao), Inc.	3-14-86	3-24-86	20,558	15,826	12,661
RB of Jala-Jala (Rizal), Inc.	4-11-86	4-21-86	4,981	783	626
CRB of Honobaan (Negros Occ.), Inc.	4-11-86	4-23-86	2,862	283	226
RB of Vintar (Ilocos Norte), Inc.	4-11-86	4-23-86	2,282	2,361	2,223
RB of Bagumbayan (Sulta Kudarat), Inc.	4-18-86	5-01-86	352	65	52
RB of Gen. Tinio (Nueva Ecija), Inc.	5-09-86	5-15-86	11,922	1,386	1,386
RB of Aguilar (Pangasinan), Inc.	4-18-86	4-28-86	1,676	400	400
RB of Kabankalan (Negros Occ.), Inc.	4-18-86	5-02-86	4,105	3,334	2,667
RB of Marilao (Bulacan), Inc.	8-28-86	9-02-86	5,003	4,799	3,237
RB of Pulupandan (Negros Occ.), Inc.	7-11-86	7-17-86	2,572	207	207
RB of Argao (Cebu), Inc.	9-05-86	9-10-86	7,634	3,437	3,254
RB of Pila (Laguna), Inc.	9-05-86	9-10-86	7,938	821	657
CEB of Dalaguele (Cebu), Inc.	9-05-86	9-10-86	7,867	4,390	3,654
RB of Canlaon City (Negros Occ.), Inc.	9-12-86	9-19-86	2,441	420	406
RB of Magallanes (Sorsogon), Inc.	9-12-86	9-18-86	2,856	111	111
RB of Catarman (Northern Samar), Inc.	9-12-86	9-15-86	n.a.	377	352
RB of Balamban (Cebu), Inc.	9-12-86	9-18-86	8,138	1,775	1,775
RB of Liloan (Southern Leyte), Inc.	9-26-86	10-06-86	n.a.	383	290
RB of Hinunangan (Southern Leyte), Inc.	10-10-86	10-16-86	n.a.	264	264
RB of Manoy (Davao Oriental), Inc.	11-07-86	11-13-86	n.a.	1,026	821
RB of San Manuel (Pangasinan), Inc.	11-07-86	11-13-86	n.a.	1,404	1,123
RB of Hinatuan (Surigao del Sur)	11-14-86	11-24-86	n.a.	319	255
RB of Lagawe (Ifugao), Inc.	11-21-86	11-27-86	n.a.	859	687
RB of Paniqui (Tarlac), Inc.	12-08-86	12-11-86	1,143	257	206
Totals			97,295	47,209	39,070

¹ As of closure.

Number of Banks Closed by the Central Bank of the Philippines

970-1986

Type of Bank	No. of Banks Closed	No. of Accounts ¹	Deposits (In million pesos) ¹
Commercial Banks	5	707,303	3,029,427
Savings & Mortgage Banks	3	2,541,838	1,015,592
Private Development Banks	3	117,440	163,672
Stock SLAs	24	993,514	1,300,471
Rural Banks ²	154	634,636	266,923
TOTAL	189	4,994,731	5,776,445

¹ At date of closure.

² Excludes RB of Jolo, Inc. which has gone into voluntary dissolution.

Insured Deposit Serviced by PDIC, 1970-1986

(Amounts in thousands of pesos)

Type of Bank	Closed Banks	Estimated Insured Deposits ¹	Payments by PDIC ²		Payments as % of Insured Deposits
			No. of Accounts	Amount of Deposits	
Commercial Banks	4	280,182	81,632	118,857	42.42
Savings & Mortgage Banks	3	954,869	434,731	767,367	80.36
Private Development Banks	3	127,670	25,446	116,972	91.62
Stock SLAs	23	853,748	185,849	709,265	83.08
Rural Bank	115	185,195	109,416	135,302	73.06
TOTAL	148	2,401,664	837,074	1,847,763	76.94

¹ Calculated from Reports of Deposit Liabilities (PDIC // C-16) by size of account. Insured deposits of banks without reports were estimated at 80% of total deposit liabilities at date of closure.

² Per report of the Dept. of Liquidation & Receivership. Subject to adjustment.

PDIC Operating Expenses in Relation to Income

(Amounts in thousands of pesos)

Year (Dec. 31)	INCOME			OPERATING EXPENSES		
	Total	Assessment Income	Interest & Other Income	Amount	Percent to Total Income	Percent to Assessment
1969	912	—	912	649	71.16	—
1970	4,828	4,254	574	1,937	40.12	45.53
1971	5,701	4,868	833	3,006	52.73	61.75
1972	6,861	5,775	1,086	3,446	50.23	59.67
1973	8,372	6,933	1,439	4,059	48.48	58.55
1974	10,995	9,067	1,928	6,034	54.88	66.55
1975	15,378	11,733	3,645	7,466	48.55	63.63
1976	19,653	14,882	4,771	7,611	38.73	51.14
1977	27,075	21,035	6,040	9,003	33.25	42.80
1978	39,454	28,236	11,218	8,088	20.50	28.64
1979	49,206	35,075	14,131	10,070	20.46	28.71
1980	64,024	44,919	19,105	11,077	17.30	24.66
1981	79,384	56,099	23,285	12,029	15.15	21.44
1982	96,372	63,679	32,693	11,694	12.13	18.36
1983	114,588	77,612	36,976	15,234	13.29	19.63
1984	135,767	92,488	43,279	15,282	11.26	16.52
1985	161,098	125,667	35,431	110,344	68.49	87.81
1986	194,852	136,180	58,672	168,202	86.32	123.51

PDIC Asset

In thousands of pesos)

Year (Dec. 31)	Total Assets	Philippine Gov't Obligations	Assets Acquired in Bank Assistance & Deposit Subrogation Transactions	Current Assets	Fixed & Other Assets
1969	5,994	5,741 ^{1/}	—	141	112
1970	9,050	6,275	—	2,235	540
1971	11,757	7,813 ^{1/}	602	2,981	361
1972	28,372	9,632 ^{1/}	14,652	3,815	273
1973	36,590	15,529 ^{1/}	17,868	2,982	211
1974					
1975	97,135	20,620 ^{1/}	46,779	24,718	5,018
1976	108,965	32,479	46,832	24,294	5,360
1977	134,657	49,332	57,463	7,114	20,748
1978	164,929	72,981	61,505	9,795	20,648
1979	199,680	66,770	59,426	53,081	20,403
1980	234,645	83,200	47,442	83,905	20,098
1981	268,679	86,770	59,426	102,677	19,806
1982	353,886	146,130	70,950	116,346	20,460
1983	455,792	148,663	133,876	153,437	19,716
1984	589,825	195,890 ^{1/}	330,939	41,280	21,716
1985	3,809,342	181,590 ^{1/}	1,524,738	103,859	1,886,194
1986	3,832,482	74,809 ¹	1,830,294	841,117	1,086,262

¹ Includes short-term PGO deducted from Current Assets.

PDIC Deposit Insurance Fund

(In thousands of pesos)

Year (Dec. 31)	Total DIF	Permanent Insurance Fund	Reserve for Insurance Losses	Retained Earnings
1969	5,914	5,000	—	915
1970	8,127	5,000	2,780	947
1971	11,503	5,000	5,380	1,123
1972	14,946	5,000	8,380	1,566
1973	19,253	5,000	12,380	1,873
1974	24,226	5,000	17,305	1,915
1975	32,081	5,000	25,085	1,996
1976	44,187	5,000	36,915	2,272
1977	77,282	20,000	54,700	2,582
1978	103,604	20,000	85,800	2,804
1979	147,782	20,000	124,670	3,112
1980	200,708	20,000	177,317	3,391
1981	267,717	20,000	244,367	3,350
1982	352,581	20,000	328,742	3,839
1983	452,226	20,000	427,749	4,477
1984	572,709	20,000	547,899	4,810
1985	2,596,923	2,000,000	596,317	606
1986	2,557,612	2,000,000	580,336	7,176

PDIC Assessment Income

(Amounts in thousands of pesos)

Year (Dec. 31)	Assessment Income	Yearly Change	
		Amount	Percent
1970	4,254	—	—
1971	4,868	614	14.43
1972	5,775	907	18.63
1973	6,933	1,158	20.05
1974	9,067	2,134	30.78
1975	11,733	2,666	29.40
1976	14,882	3,149	26.84
1977	21,035	6,153	41.34
1978	28,236	7,021	34.23
1979	35,075	6,839	24.22
1980	44,919	9,844	28.06
1981	56,099	11,180	24.89
1982	63,679	7,580	13.51
1983	77,612	13,933	21.88
1984	92,488	14,876	19.17
1985	125,667	33,179	35.87
1986	136,180	10,513	8.37

Board of Directors

JOSE B. FERNANDEZ, JR.
(Governor, Central Bank of the Philippines)
Chairman



EUGENIO NIERRAS, JR.
(Deputy Governor, Central Bank of the Philippines)
Member

VICTOR C. MACALINCAG
(Undersecretary of Finance)
Member



Executive Officers



EUGENIO NIERRAS, JR.
Acting President

ISAYAS G. PENEYRA
Vice-President

ROSALINDA U. CASIGURAN
Chief Legal Counsel

ALBERTO R. ENRIQUEZ
Manager, Administrative Department

ROBERTO R. GUEVARA
Systems Development Officer

Standing (from left): R. Guevara, L. Gustilo, G. Rosalinas, C. Recto, I. Peneyra, E. Santos, E. Barona, M.E. Bienvenida, and A. Enriquez. Seated is Acting President E. Nierras, Jr.

EDUARDO P. SANTOS
Assistant Vice-President for
Corporate Services

GRACIA A. ROSALINAS
Manager, Assessment and
Examination Department

ERNESTA C. BAROÑA
Manager, Accounting Department

CONCEPCION M. RECTO
Assistant Vice-President for
Operations

LINDA B. GUSTILO
Manager, Liquidation and
Receivership Department

MA. ELENA E. BIENVENIDA
Manager, Treasury Department