

Philippine Deposit Insurance Corporation

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PHILIPPINE DEPOSIT INSURANCE CORPORATION
MAKATI, METRO MANILA

January 1994

His Excellency
President Fidel V. Ramos
Malacañang, Manila

Dear Mr. President:

I am honored to present the Annual Report of the Philippine Deposit Insurance Corporation (PDIC) for the year 1993 pursuant to the provisions of Section 15 of Republic Act 3591, as amended.

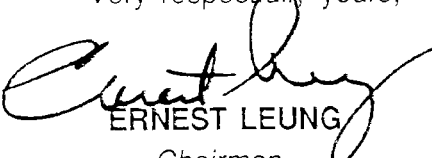
This document provides a review of the results of PDIC's operations and their significance in the light of its mandate of deposit insurance protection through the strengthening of the banking system.

The year 1993 marked the first full year during which PDIC exercised its enhanced powers and authorities under Republic Act 3591, the PDIC Charter, as amended by RA 7400.

We look ahead to the coming years as we commit to further the gains we achieved in 1993.

On behalf of the PDIC's Board of Directors, its management and staff, we convey our gratitude to His Excellency for his support which guided our directions in the past year.

Very respectfully yours,


ERNEST LEUNG
Chairman



PHILIPPINE DEPOSIT INSURANCE CORPORATION
MAKATI, METRO MANILA

January 1994

Honorable Edgardo J. Angara
The President of the Philippine Senate

Honorable Jose C. de Venecia, Jr.
The Speaker of the Philippine House of Representatives

Dear Sirs:

I am honored to present the Annual Report of the Philippine Deposit Insurance Corporation (PDIC) for the year 1993 pursuant to the provisions of Section 15 of Republic Act 3591, as amended.

Very respectfully yours,


ERNEST LEUNG
Chairman

CORPORATE PROFILE

Name: Philippine Deposit Insurance Corporation (PDIC)

Classification : Government Financial Institution (fully government-owned)

Founding Date: June 22, 1963 (by virtue of Republic Act 3591, as amended by RA 7400)

Mandate : Provide deposit insurance coverage

Objective : Ensure deposit protection through a strengthened banking system

Functions : Examine and monitor live banks to avoid bank failures, act as receiver and liquidator of closed banks and settle claims arising from bank closures

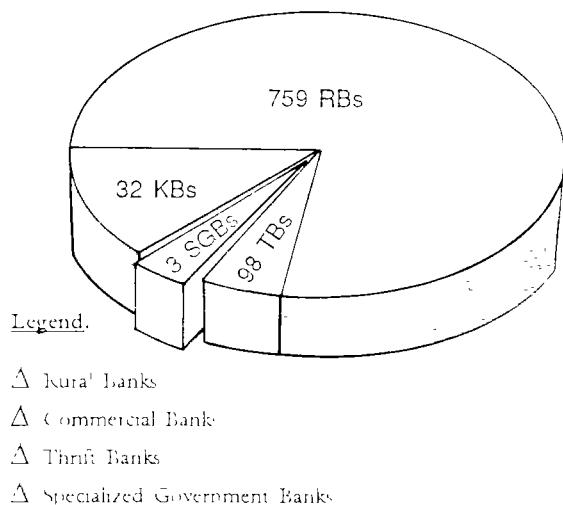
Address : PDIC Building
2228 Pasong Tamo St
Makati, Metro Manila
1231

Tel Nos : 810-49-01 to 10;
813-3561, 812-0961;
818-0073

Fax Nos. : 818-6807, 817-3566

Number of Personnel : 423

PDIC Membership by Bank Group



FRONT LINE SERVICES

INSURANCE AND EXAMINATION

Deposit insurance coverage up to ₱100,000.00 and identification and management of bank risks

CLAIMS, RECEIVERSHIP AND LIQUIDATION

Takeover and control of all assets, liabilities and affairs of closed banks; liquidation of assets; settlement of claims for insured deposits; and final settlement with creditors

DEPOSITORS' ASSISTANCE

Extension of day to day assistance to depositors' requests and queries; education through information programs

FINANCIAL INFORMATION	
As of December 31, 1993	
(All figures in thousands of Pesos)	
Gross Revenues	1,582,460
Net Revenues	1,211,061
Assessment Income (Premium Collections)	1,000,456
Net Income (After Taxes)	8,829
Total Assets	7,686,887
Total Liabilities and Deferred Credits	5,538,589
Permanent Insurance Fund (Capital from Nat'l. Gov't.)	
Subscribed	2,000,213
Authorized	3,000,000

PDIC AT A GLANCE

Insurance
Assessment of premium of member banks;
Review of insurance coverage

Bank performance monitoring
Off-site bank examination and monitoring

Field examination
On-site bank examination

Bank rehabilitation review
Evaluation of rehabilitation proposals

Financial assistance
Extension of assistance, implementation of bank rehabilitation programs and monitoring of collaterals

Re-settlement examination
Determination of insured deposits due the depositors

Claims processing
Processing and approval of claims for payment of insured deposits filed by depositors of closed banks

Claims settlement
Settlement of claims through direct payment or wire transfer deposit scheme

Takeover
Inventory and accounting of closed banks' assets, liabilities, capital and record

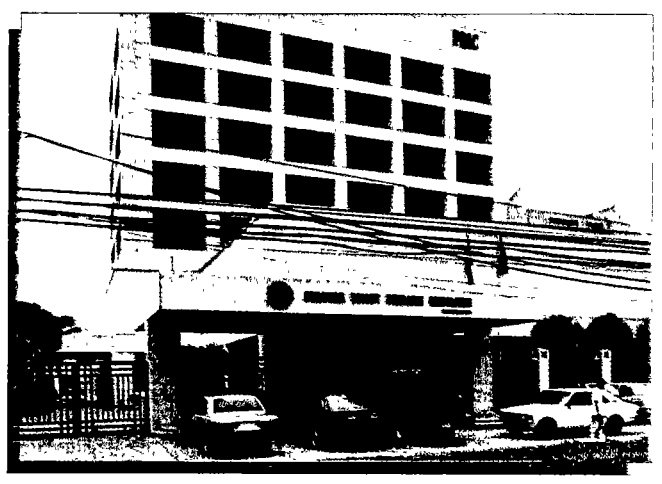
Asset administration and recovery
Administration of closed banks' operations, collection of loans, disposal of assets and the receipt and processing of claims

Settlement of creditors' claims
Distribution of cash, near cash or unconverted assets to bank creditors according to priorities set by law

Quick-response action desk
Providing of requests, queries and complaints from the depositing public

Information dissemination
Distribution of PDIC Primer, PDIC Charter and generation, packaging & dissemination of other information materials

PDIC's Maximum
Deposit
Insurance
Coverage:
₱100,000.00



PDIC MANAGEMENT

BOARD OF DIRECTORS



Vitaliano Nañagas II,
Vice-Chairman and
President
(1988–January 1994)

Mr Nañagas has been at the helm of the PDIC since 1988, a critical time when the banking system was starting to recover from a series of bank failures. He headed the Corporation for five years until the banking system achieved a measure of stability. An economics graduate of the De La Salle University, and a holder of a Master of Business Management degree from the Asian Institute of Management, he was once board

chairman of the Mindanao Savings and Loan Association and marketing director for Latin America of Citibank in New York, USA



Felipe Alfonso,
Director

Mr Alfonso, president of the Asian Institute of Management, is also the school's William Soeryadjaya Professor of Business Management. Several years ago, Professor Alfonso led a team of faculty members to undertake research on rural development management. He co-edited a book, "Bureaucracy and the Poor Bridging the Gap." Prior to teaching, he was a practising

lawyer and corporate secretary for several major commercial companies. Professor Alfonso holds a Bachelor of Laws degree from the Ateneo de Manila University and an MBA from New York University. As the first private sector representative to join the PDIC Board this year, he serves under a two-year tenure.



Ernest Leung,
Chairman

As Acting Secretary of Finance, Mr Leung holds the chairmanship of the board of directors of the Corporation. An A.B. Natural Science graduate of the Ateneo de Manila and a Master of Arts degree holder in development economics from Williams College, USA, under the Ford Foundation Fellowship, he served as Executive Director of the International Monetary Fund and of the World Bank, a position he assumed for two years until he was appointed Undersecretary of Finance. Prior to his stint as IMF Executive Director, he worked as IMF Technical Assistant to the Executive Director for the Philippines, Director of the IMF and World Bank. He has represented the Philippine government either as alternate governor, chairman or co-chairman in various government delegations to international conventions, meetings and negotiations.



Gabriel Singson,
Director

The first governor of the new Bangko Sentral ng Pilipinas, Mr. Singson also holds the distinction of being the first Filipino lawyer appointed to the Asian Development Bank where he served as counsel from 1967-1968. He became the president of the Philippine National Bank in 1992, the country's largest commercial bank after serving as Senior Deputy Governor of the Central Bank (now BSP) for more

than 12 years. He rejoined the reorganized BSP in July 1993. He is also currently the vice-chairman of Philippine Airlines.



Antonio Poblete,
Director

Mr Poblete is the second private sector representative appointed to the Corporation's Board and will serve under a six-year tenure. He is president of the TAP Management & Technical Specialists, Silang Finance Corp., A & S Trading Development Corp. and vice-president & corporate secretary, Tagumpay Finance Corp.

CHAIRMAN'S STATEMENT



The year 1993 was the first full year that the Philippine Deposit Insurance Corporation (PDIC) started exercising its expanded powers. This was brought about by the passage of Republic Act (RA) 7400 on June 12, 1992, amending the PDIC Charter (RA 3591). The Corporation focused its efforts on the implementation of the provisions of its enhanced mandate as bank regulator and mandatory receiver and liquidator of closed banks. RA 7400 enabled the Corporation to carry out its function of strengthening the banking system and minimizing the adverse effects of bank failures on the financial system and the economy, towards a more responsive and adequate deposit protection program of government.

Under the new law, the Permanent Insurance Fund (PIF), which is the equivalent of the Corporation's authorized capital, increased from ₱2.0 billion to ₱3.0 billion. Deposit insurance coverage was raised from ₱40,000 to ₱100,000 with a corresponding increase in the assessment rate to be paid

by member banks. The law also expanded the modes of financial assistance that PDIC can extend to banks and empowered it to issue cease and desist orders to those that engage in unsafe and unsound banking practices. The Corporation was made the mandatory receiver and liquidator of closed banks and was authorized to conduct bank examinations independent from that of the Bangko Sentral ng Pilipinas (BSP).

These modifications were intended to enhance depositors' confidence in the banking system. While these were introduced in 1992, the effects of its implementation started to be felt in 1993.

FINANCIAL STRENGTH

Gross revenues reached ₱1.58 billion in 1993, a 42.36% increase over the ₱1.11 billion recorded the previous year. The higher earnings enabled PDIC to hike provisions for insurance losses by 77.28% from ₱670.68 million to ₱1.189 million in 1993.

During the year, the Corporation managed a consolidated fund of ₱7.010 billion comprising three types, namely: the corporate fund of ₱4.707 billion; the receivership and liquidation (R&L) fund of ₱2.289 billion as generated from the sale of assets of closed banks and the RA 5517 fund (national government allocation for paying insured deposits of banks closed prior to the creation of the PIF) of ₱14.435 million. These funds have significantly increased by 33%, from ₱5.275 billion in 1992 to ₱7.010 billion in 1993 as a consequence of the increase in the PIF, bigger premium collection and higher interest rates on investments.

The Corporation earned 9.64% after tax or ₱453.85 million from corporate funds of ₱4.707 billion, 9.08% after tax or ₱208.07 million from R&L funds of ₱2.289 billion, and 7.07% after tax or ₱1.021 million from RA 5517 fund of ₱14.435 million. The PIF also increased by 2.47% from ₱1.97 billion to ₱2.02 billion with the collection of additional equity from the government.

BANKS' RISK MANAGEMENT

With an increase in risk exposure brought about by the increase in maximum deposit insurance from ₱40,000 to ₱100,000, PDIC simultaneously implemented the higher assessment rate on its member banks under the new law.

The PDIC disseminated five regulatory issuances on the following: (1) rules and regulations governing the posting of security deposit by banks (2) amendments in the

computation of assessment premiums (3) reportorial requirements from member banks (4) amendments in the PDIC rules and regulations to reflect and enforce changes brought about by RA 7400 (5) rules and regulations on advertisement of membership with PDIC.

The enforcement of the regulatory issuance on payment of assessment premiums resulted in better compliance by member banks.

A major part of PDIC's role is to provide assistance to banks in need of rehabilitation. As of December 1993, in support of PDIC's rehabilitation program, financial assistance to six banks amounted to ₱1,130.2 million in loans. With the experience acquired in the previous forms of assistance, various modes were provided and expected to be applied in the coming years. Aside from the extension of loans to distressed banks, assistance could include the purchase of assets of banks, deposits in the banks, and the assumption of liabilities.

The year 1993 was also significant since it was the first full year when the Corporation conducted bank examinations that focused on detection, identification, and mitigation of risks. Early appreciation of risks enabled the Corporation to work with the banks in adopting corrective measures to help restore the health of affected banks and add to the stability of the banking system. As of yearend, integrity reviews of 74 rural banks (RBs) were completed and limited-scope examinations of 11 RBs, 10 thrift banks, and five (5) commercial banks (KBs)

were conducted. Integrity reviews verify the accuracy of reports submitted by banks to the BSP and the PDIC, while limited-scope examinations focus on specific items in the reports.

CLAIMS SETTLEMENT

In claims settlement, PDIC was able to process all claims. As of yearend, a total of 1,125,168 deposit accounts amounting to ₱3,136.8 million have already been paid to claimants. Some 32,034 accounts amounting to ₱221.9 million were still pending due to documentation deficiencies and legal problems but the number is expected to decline further as PDIC continues to hasten claims settlement operations.

An alternative mode of settlement, the transfer deposit scheme, was fully adopted during the year which led to the acceleration of claims payment. The scheme offered greater convenience to depositors who now proceed to PDIC-accredited transfer deposit banks either to withdraw their deposits or maintain them in new accounts. Of the 1,125,168 accounts paid to claimants, a total of 439,230 accounts amounting to ₱856.4 million were paid through this alternative mode.

RECEIVERSHIP AND LIQUIDATION

The creation of the "Express Lane" enhanced the functions of PDIC as receiver and liquidator of closed banks. The Express Lane was established to speed up the takeover of closed banks from the BSP. Since its operation in May 1993, it

has assumed the receivership of 47 RBs bringing to 65 the number of closed banks taken over by PDIC in 1993. The intensive effort on bank takeovers brought to 94 the total number of closed banks under PDIC receivership and liquidation as of yearend.

A major accomplishment for the year was the sale of large assets of a commercial bank and a rural bank.

FUTURE DIRECTIONS

With enhanced capabilities, PDIC shall continue to pursue its objective of strengthening the banking system, for a strong banking system provides the best protection for depositors.

This objective shall be attained by:

- * Sustained gains in bank examination;
- * Enhanced capacity for receivership and liquidation;
- * Bigger resource base with the securing of additional subscription of the PIF;
- * Improved Information System:
 - Effective information sharing with the Bangko Sentral ng Pilipinas and the banking community;
 - Timely generation of data on banks and useful public information.

To achieve these goals, the Corporation will aim for efficient and qualified manpower without compromising its hiring standards. The Corporation maintains a positive attitude towards the attainment of these goals despite limitations and constraints common to government corporations, such as uncompetitive remuneration and restrictions in the recruitment of additional manpower.

TRANSITION

The year 1993 marked the culmination of the five-year presidency of Mr. Vitaliano Nañagas II. He assumed the leadership of the Corporation in 1988, one of the most difficult years for the banking system when it was struggling to regain stability after being racked by a series of bank failures. During the first three years of his leadership, he successfully steered the Corporation under the active guidance of then Central Bank (CB) Governor and then concurrent Chairman of the PDIC Board Jose B. Fernandez, Jr.

Through this challenging period and in the succeeding years, Mr. Nañagas started efficiency consciousness and fostered an innovative spirit in the organization. Also under his stewardship, the PDIC developed

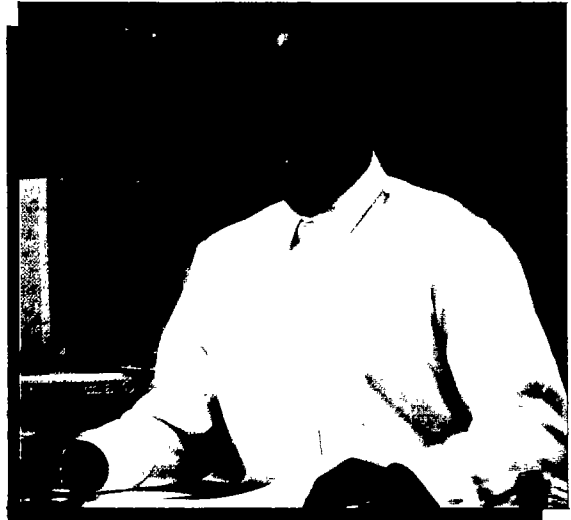
from a mere insurer of deposits into a regulator with the strong support of PDIC Board Chairman Jose L. Cuisia, Jr. who succeeded Mr. Fernandez as CB Governor.

Mr. Ramon del Rosario, Jr. assumed the chairmanship of the PDIC Board being the Acting Secretary of the Department of Finance (DoF) during the early part of 1993, as provided for under the amended Charter.

During this period, President Nañagas and Chairman del Rosario were credited for the formulation of RA 7400's guidelines and policies such as those on bank examinations, claims, receivership and liquidation. On behalf of PDIC's Board of Directors, officers and employees, we thank Mr. Nañagas for his dynamic, dedicated and unselfish service to the Corporation. With this transition, we look forward to the new challenges of the coming years as the Corporation continues to fulfill its role in strengthening the banking system and ensuring deposit insurance protection for the Filipino depositing public.


ERNEST LEUNG
Chairman

PRESIDENT'S MESSAGE



The year 1993 is my culminating year as President of the Corporation. On January 14, 1994, I will render my last day of service. While much remains to be done, my task is now finished and I move on with complete assurance and optimism that Mr. Ernest Leung who succeeds me will lead the Corporation to greater heights.

Having served for over five years, I am very grateful for the opportunity to have been able to serve our government, our people, and our beloved country.

Since I assumed office on August 29, 1988, I am most proud of the following achievements of PDIC, namely:

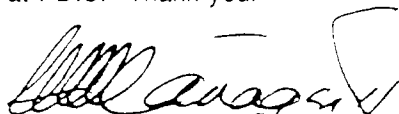
- our new law, RA 7400, was enacted that strengthened the powers and responsibilities of the PDIC;
- our new working "culture," based on our Vision, Mission and Belief statements, to which we are all committed;
- our newfound financial, organizational, and functional independence, as can be evidenced in our financial and human relations balance sheets and income statements;
- our new building at 2228 Pasong Tamo was built

to provide the necessary image of a strong insurer and regulator;

- our two new areas of work, namely, the Live Bank Sector or the Insurance Examination Sector and the Closed Bank Sector or the Claims, Receivership and Liquidation Sector; and
- the level of competence, dedication and professionalism of our officers and staff.

I leave PDIC with full confidence and much pride in the men and women that I leave behind. They have not only worked well together, but they have also shown, as it is quite palpably evident, that a government corporation, namely PDIC, can function with the highest degree of professionalism and integrity, the result of consistent, continuous and arduous efforts for the past five years.

I leave in gratitude for all the memories and accomplishments and will always treasure the relationships I formed in these past five years and I thank the Lord for the opportunity to have been His instrument at PDIC. Thank you.


VITALIANO N. NAJAGAS II

PDIC IN THE ENVIRONMENT

The Economy

In 1993, the economy slightly improved despite the severe power supply shortage that prevailed for the most part of the year and the destructive typhoons which hit the country. Gross National Product registered a growth rate of 2.3%, up from the previous year's 1%, largely because of the increase in remittances from Filipinos working overseas and the installation of 11 major power plants in the last two months of the year that helped relieve the power shortage.

Prices were generally stable with inflation rate going down from an average of 8.9% in 1992 to an average of 7.6% in 1993. The nominal exchange rate, however, fell by 6.7% to ₱27.12 to a US\$, despite the strengthening of the peso against the dollar in the latter part of the year because of increased foreign remittances from overseas workers and portfolio investments.

A safe level of foreign exchange reserves was reached at the end of 1993 with gross international reserves recorded at ₱5.8 billion, equivalent to more than three months' worth of import cover.

The stock market performed well during 1993 with volume and value of stock market transactions increasing by 20.6% and 135.6% from the previous year.

Although exports increased by about 15% from the previous year's level, it did not keep pace with the growth in imports which grew by 21%.

The Banking Industry

The total resources of insured banks reached an unprecedented ₱1.0 trillion by end-1993, representing a 25.46% increase over the 1992 level. This upsurge is mainly attributed to a substantial hike in deposits from ₱503 billion in 1992 to ₱649 billion by end-1993, as well as to the increase in networth from ₱114 billion to ₱134 billion. The system's net loan assets expanded by 38.03%. The banking system's net income, however, slightly dropped by 0.55% due to higher operating expenses.

The government introduced several changes in the financial sector in 1993. RA 7653 was passed reorganizing the Central Bank into The Bangko Sentral ng Pilipinas (BSP), arming it with greater flexibility in the execution of monetary policies.

Another key initiative was the filing in Congress of a bill calling for the liberalization of the entry of foreign banks into the Philippines. The measure is expected to help promote investment and spur capital mobilization.

Other significant reforms have been implemented to enhance efficiency and competition in financial intermediaries and to attract more investments. Among these are the relaxation of bank branching policies, the reduction of reserve requirements on bank deposit substitute liabilities and liberalization of rules on domestic commercial banks' net foreign exchange positions.

Complementing these measures, the PDIC likewise underwent reorganization aimed at beefing up its resources and capacity to pursue its mission of promoting a more stable and healthy banking system.

New regulatory issuances released were geared at instilling stricter discipline among its member banks. Structures were established to ensure prompt regulatory action against erring banks and least-cost resolution measures were adopted for failing banks. PDIC also proceeded with the take-over of closed banks from BSP in line with its receivership and liquidation mandate.

As a significant player in a recovering economy, PDIC's indispensable role in en-

hancing the stability of the Philippine banking system is loaded with the challenge of meeting new and more complex demands like increased competition in the industry and technological advancements that lead to expanded and highly specialized banking services.

The situation calls for the continued exercise of PDIC's powers and authority to protect the depositors from more complex risks.

PDIC, for the coming years, is expected to be vigilant in adapting to the dynamics of the fast paced banking industry for the corporation to continue fulfilling its role as protector of the depositing public.

PHILIPPINE BANKING SYSTEM			
1992-1993 (In Million Pesos)			
	1993	1992	Growth
STATEMENT OF CONDITION			
Assets	₱ 1,001,568	₱ 798,317	25.46%
Net Loans	552,693	400,406	38.03%
Liabilities	867,391	684,157	26.78%
Deposits	649,250	503,051	29.06%
Capital	134,176	114,159	17.53%
RESULTS OF OPERATIONS			
Revenues	99,896	95,582	4.51%
Interest	77,684	75,666	2.67%
Operating	22,211	19,916	11.52%
Expenses	84,506	78,558	7.57%
Interest	43,076	43,725	-1.48%
Operating	41,430	34,832	18.94%
Net income before Tax	₱ 19,811	₱ 19,921	-0.55%

Note

Capital of Foreign Banks is net of Due to/from H.O. Branches/Agencies abroad

Sources

Consolidated Statement of Condition
Consolidated Statement of Income & Expenses
Statistical Report as of December 1992

Selected Data on Rural Banks as of December 1992
BSP Compilation

INSURANCE & EXAMINATION

Risk Exposure

In 1993, total deposits in the Philippine banking system increased by 29% to ₱649.2 billion in 1993 from ₱503.1 billion in 1992, reflecting greater depositor confidence in banks. Of the 18 million accounts in the

banking system in 1993, 17.28 million accounts or 96% had balances within the ₱100,000 coverage. The amount of insured deposits grew by 7% from ₱178 billion in 1992 to ₱190.61 billion in 1993, constituting almost 30% of the total deposits.

PDIC RISK EXPOSURE			
	1993	1992	% Growth
No. of Accounts Within Maximum Insurance Coverage	17.28	17.11	0.99
Percentage Fully Covered	95.82%	96.56%	(0.77)
No. of Accounts Over Maximum Insurance Coverage	0.75	0.61	22.95
Amount Insured by PDIC	₱190.61	₱178.00	7.08
Percentage Insured	29.9%	36.21%	(17.42)
Amount Not Insured	₱446.91	₱313.65	42.49

Number of Accounts in Millions, Amounts in Billion Pesos

Membership

The number of member banks was reduced from 902 in 1992 to 892 in 1993, owing to terminations of insured status,

mergers, and closures. The member banks' total capitalization, however, increased by 18% from ₱114.16 billion in 1992 to ₱134.18 billion in 1993.

PDIC MEMBER BANKS BY BANK GROUP		
	1993	1992
Commercial Banks	32	32
Thrift Banks	98	98
Savings & Mortgage Banks	8	7
Private Development Banks	37	37
Stock Savings & Loan Associations	53	54
Rural Banks	759	769
Specialized Government Banks	3	3
TOTAL	892	902

Implementation

The year 1993 saw the Corporation further streamline its insurance systems, practices and rules. The strengthening of its assessment capabilities resulted in the termination of insured status of 25 delinquent banks and the reduction of premiums collection delinquencies to negligible levels.

Unsafe and unsound practices of four banks were endorsed by the Corporation's Board of Directors to the BSP's Monetary Board to direct the banks to take appropriate action.

Forty two (42) banks were cited for violating the requirements on advertising their insured status with PDIC as embodied

in Regulatory Issuance 92-4 and were penalized accordingly.

As of the end of 1993, the PDIC had collected ₱1,000.46 million in insurance premiums, an increase of 187% from ₱348.6 million in 1992.

Bank Monitoring

During 1993, bank performance monitoring went into high gear with the systematizing of the compilation of banking statistics and the management of early-warning, off-site monitoring activities. The framework for the database to facilitate these was laid out in 1993 and the automated information network is expected to be completed in 1994. In rationalizing financial reporting,

PDIC has trimmed the frequency of report submissions by banks and established measures to ensure bank compliance through the imposition of fines and penalties



on delinquent or erring banks. As of the end of the year, 683 member banks satisfactorily met PDIC's reportorial requirements.

Supervision

PDIC's Field Examination Centers, which complement the regular supervision done by the BSP, conducted bank reporting integrity reviews of 74 rural banks to verify figures-in bank reports submitted to PDIC and BSP. Also conducted to examine specific areas of bank operations were limited scope examinations of 11 rural banks, 10 thrift banks and 5 commercial banks throughout 1993. Five of these banks were discovered to have violated standards of prudent operations and were exposed to abnormal risk, loss and damage, consequently putting at risk the PDIC's insurance fund. Strengthened by RA 7400, however, the PDIC asserted its enforcement authority on these problem banks by the latter's adoption of prompt corrective

measures. Two banks readily submitted voluntary commitments formalized under a memorandum of undertaking (MOU) and thus, avoided being subjected to penalties and sanctions.

Bank Strengthening

A milestone in enhancing the Risk Management function of the Corporation was the creation of the Failure Resolution Center (FRC) under the Special Actions and Assistance Group (SAAG). SAAG is responsible for the overall administration of financial assistance given to ailing banks and the consequent collateral monitoring process. The FRC was created to make SAAG more effective in discharging prompt and decisive bank failure resolution measures.

The FRC is the implementor of two major sets of policies approved in 1993 by the PDIC Board, one governing the determination of the least costly resolution for problem banks and the other covering the rehabilitation of closed banks.

The FRC has begun to adopt sophisticated quantitative tools to determine the Least Costly Resolution of the distressed condition of banks – either rehabilitation or closure and servicing of depositor claims.

The FRC compiled statistics to service queries of interested investors in the rehabilitation of closed banks and also gathered data to determine the cost to PDIC should failing banks close.

It has also assumed the principal responsibility of issuing Cease and Desist Orders to banks that engage in unsafe and unsound practices that seriously endanger depositors' interests.

A significant move in bank strengthening was made when the Corporation through its Financial Assistance and Management Center obtained a bank's commitment in 1993 to infuse capital into a savings and loan bank by early 1994 to cover the latter's capital deficiency. A rehabilitation plan for Rural Bank of Argao was also completed in 1993 for the Monetary Board's approval.

The Countryside Financial Institutions Enhancement Program (CFIEP), a joint project of the BSP, the Land Bank of the

Philippines (LBP) and PDIC continued in 1993 with the approval of 266 applications, resulting in some ₱143 million in retired arrearages under Module 1, and ₱214 million under Module 2. Module 1 provides the opportunity for debt-ridden rural banks to retire their arrears with the BSP. Module 2 provides incentives for financially sound rural banks. Under this module, the LBP matches additional equity put in by the bank owners peso for peso in preferred non-voting shares that are redeemable.

Another financial strengthening program, the Liquidity Pools, increased its membership to 429 rural banks in 1993 forming 27 pools from 422 rural banks with 26 pools in 1992.



CLAIMS MANAGEMENT

In 1993, claims processing was accelerated by a six-month target set for processing after receipt of claim forms. Of 940 pending claims on banks closed after October 31, 1988 to be paid under the direct settlement scheme, 822 accounts or 87.4% worth ₱15.67 million were fully processed in 1993.

All of the 1,676 claims on said banks worth ₱17.31 million to be paid under the deposit transfer mode were fully processed.

The concept of "transferred deposit" was fully adopted in 1993 whereby transferee banks would have to immediately open individual accounts for insured deposits in closed banks, earning interest at prevailing rates for the depositors. In the past, there was only one account in the name of PDIC in the transferee bank where the depositors can withdraw their claims. Continuous deposit servicing was ensured through the transfer deposit operation monitoring system for quick access to information on fund balances in transferee banks.

PAID CLAIMS Cumulative and 1993 Figures (Amounts in Thousand Pesos)				
	Cumulative as of December 31, 1993		Payments for 1993	
	Number of Accounts	Amount	Number of Accounts	Amount
Commercial	240,949	₱ 973,980	345	₱ 2,777
Thrift	705,031	1,853,321	850	12,080
Rural	179,188	309,504	5,226	23,619
TOTAL	1,125,168	₱ 3,136,805	6,421	₱ 38,476

A proposal for the use of operating private banks nearest the closed banks was initiated for study in 1993. The PDIC Board has approved the proposal but granted government banks the right of first refusal.

Validation of 218,006 Banco Filipino paid accounts amounting to some ₱401.97 million as of the end of December was completed.

CLAIMS ON ACTIVE STATUS (Amounts in Million Pesos)				
	December 31, 1993		December 31, 1992	
	Number of Accounts	Amount	Number of Accounts	Amount
Awaiting Claimants	11,424	₱5.3	11,073	₱4.9
For Processing	0	0.0	0	0.0
With Legal Issues	3,499	41.9	3,571	43.0
Insufficient Documentation	17,111	174.7	18,050	193.0
TOTAL	32,034	₱221.9	32,694	₱240.9

The Corporation filed 96 claims for subrogated deposits against closed banks that included Banco Filipino with 89 branches; First Peso Savings and Loan Association with 10 branches, Daily Savings Bank with 8 branches and Peninsula Development

Bank with 9 branches. Under the concept of subrogation, the PDIC is entitled to recover from closed banks the amount of claims payment it has made to the banks' depositors.



RECEIVERSHIP & LIQUIDATION

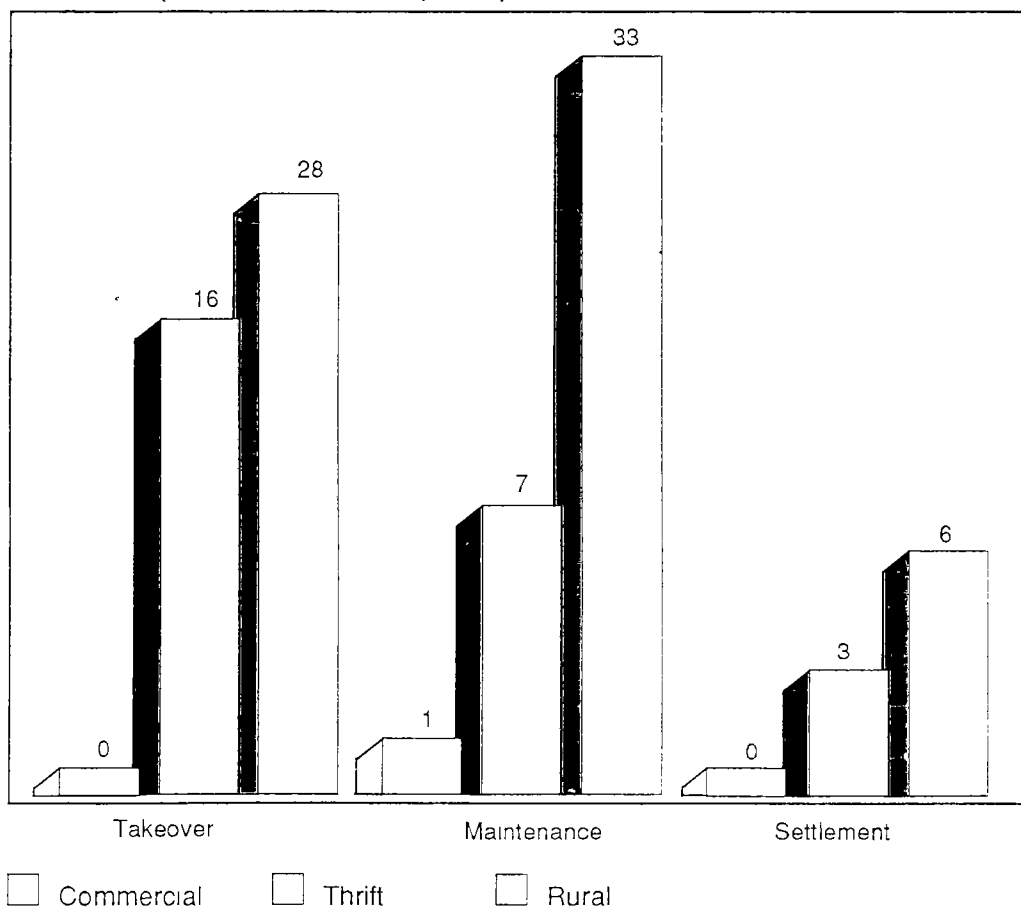
In 1993, the Receivership and Liquidation Sector was able to reap the benefits of the organizational restructuring that it underwent in the previous year. The restructuring helped accelerate the R&L process. From the previous set-up wherein one department managed the whole process of liquidation and receivership for specific banks, the sector was divided into centers namely: the Express Lane, the Takeover Center (TOC), the Asset Administration and Recovery Center (AARC), the Settlement Center, the Home Office and the Operations Control Office (OCO). Each

center or office was to work on a specific aspect of the receivership and liquidation process and was assigned the attendant responsibilities and accountabilities.

Banks under PDIC R&L

During 1993, the PDIC succeeded in placing an additional 70 banks under its receivership and liquidation which brought to 94 from only 24 in 1992 the total number of banks under its receivership and liquidation. This consisted of one commercial bank, 26 thrift banks and 67 rural banks.

**Status of Banks Under Receivership and Liquidation
(As of December 31, 1993)**



Expeditious Receivership

In 1993, the Express Lane was created to help the existing Takeover Center in the assumption of closed banks from the BSP with the Express Lane responsible for the assumption of closed rural banks from the BSP and the TOC for that of closed thrift banks from the BSP as well as for new closures.

Both the Express Lane and the TOC undertake inventory accounting of all the assets, liabilities, capital and records of closed banks as the first step in receivership and liquidation.

During the year, the Express Lane effected the takeover from the BSP of 47 closed rural banks. This brought to 52 the number of closed rural banks that the PDIC had taken over from the BSP since the Corporation was designated in 1988 as receiver and liquidator of banks closed by the BSP's Monetary Board. This left 159 rural banks under BSP receivership that the PDIC had to assume receivership of as of the year-end. The Express Lane also operationalized special maintenance operations in 11 closed rural banks in the Ilocos Region and the Cagayan Valley.

The TOC assumed control over 18 thrift banks from the BSP in 1993, three times the number (6) that it took over in 1992, leaving only eight closed thrift banks that PDIC had to take over from the latter as of the end of the year.

During the year, the TOC completed inventory activities for 11 banks out of the

18 thrift banks that it took over from the BSP and was able to turn over two of these to the AARC. In the meantime, the TOC undertook maintenance activities for 9 thrift banks pending acceptance of these closed banks by the AARC.

The TOC was also able to close five rural banks within two days from the receipt of the closure order from the BSP.

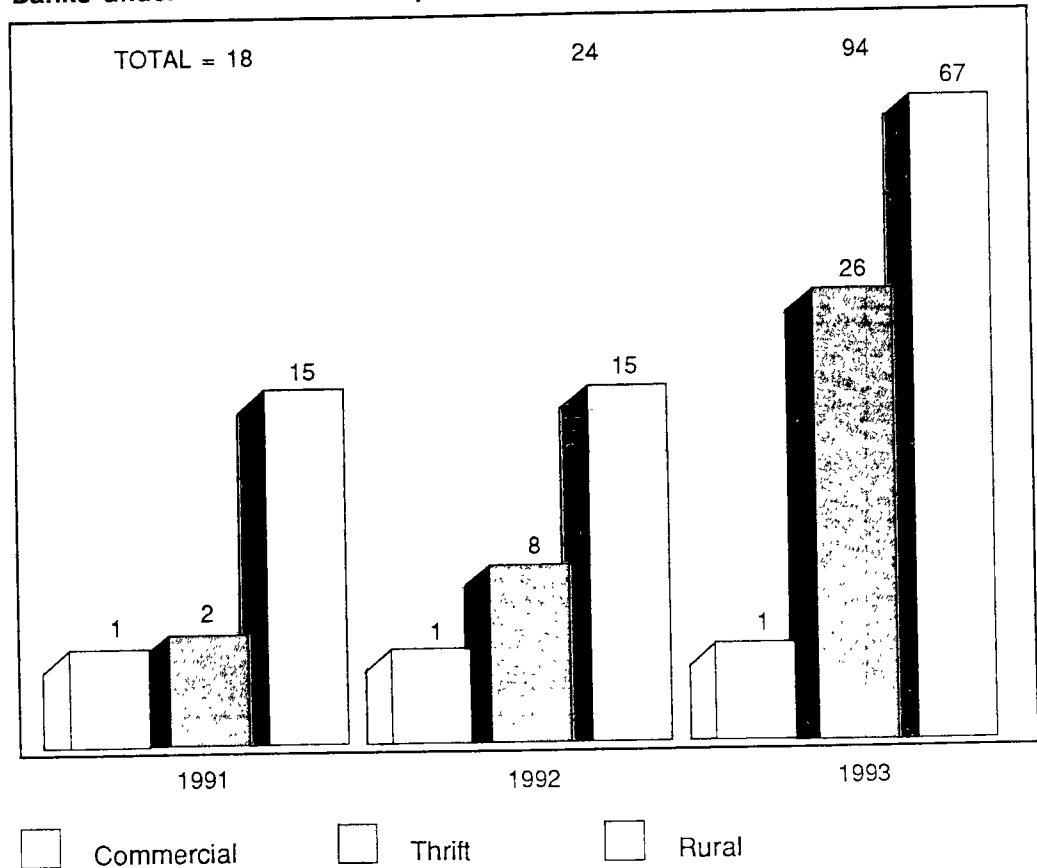
Asset Management and Conversion

The AARC which takes care of asset conversion, absorbed a total of 15 banks from the Express Lane and the TOC. The AARC is tasked with the collection of loans of closed banks, the conversion into cash of the banks' fixed assets and the receipt and processing of claims of the banks' obligors. In 1993, the AARC effected the transfer of three thrift banks and one rural bank to the Settlement Center and was able to hold public biddings on six banks.

Once the AARC completes asset conversion, the Settlement Center implements the final settlement with the closed banks' creditors. During the period under review, the Settlement Center was able to sell the bank premises of the Rural Bank of Lucena, Inc. for ₱1.29 million, significantly increasing the distributable funds of the bank. It also processed and recommended to the Liquidator the approval of claims filed in seven closed banks under final liquidation.

It also completed valuation of owned and acquired assets of nine banks. The Settlement Center accomplished the preparation of tentative Projects of Distribution of

Banks under PDIC Receivership and Liquidation 1991-1993



seven closed banks and submitted them for review and audit by the Operations Control Office.

The Home Office (HO) provides support to the line departments in performing their functions. The sale of Pacific Banking Corporation's 32 condominium units was successfully consummated by the HO. Five acquired assets were also sold for ₱7,992 million. It collected a total of ₱27.20 million from 263 loan accounts.

Quality Control

The Operations Control Office (OCO) conducts operations review of all closed

banks under receivership and liquidation, bank reconciliations, appraisal reviews and project distribution reviews.

Fifteen operations review were conducted by the OCO and it completed almost 100% of property appraisals and valuations required.

The total bank reconciliations processed as of December 1993 reached 829. Reconciliations ensure that deposit accounts of closed banks including R&L funds managed by the PDIC – Treasury Center are properly accounted for and that operating fund levels for closed banks are within the prescribed guidelines.

CORPORATE DIRECTION & CONTROL

Information Technology

The continued acquisition of computers and the automation of manual processes directed the challenge of information technology to the development of the Corporation's capability to access shared information from users of different settings and locations. The establishment of a network which linked computers and Unix terminals to the different file servers addressed this challenge. The network, which operated at an average rate of 12.24 hours six (6) days a week, had a total number of 118 linked users.

The Information Technology Center, realizing the need for a more informed staff and the need to update them in basic programming, software utilities and hardware maintenance, initiated in 1993 a computer training program for selected advanced computer users. The program aimed to develop a pool of individuals that are competent to solve IT-related problems with least assistance from the Center. Twenty-three employees successfully completed the program in 1993 while two more batches of employees are scheduled for training under the program in 1994.

The year 1993 also marked the full implementation of several systems in the



operations services which included the R & L Funds Monitoring System, R & L Accounting System, Real and Other Properties Owned or Acquired (ROPOA) System, Deposit Database Monitoring System, and the Assessment Premium System. These systems were used to facilitate the day-to-day operations of the Claims, Receivership and Liquidation and the Insurance and Examination Sectors while at the same time, were continually reviewed and studied to further streamline the procedures.

Staff support functions were also computerized through the development of a number of systems which included the Payroll System, Fixed Assets Monitoring System, Personnel Management Information System, Supplies Inventory Monitoring, and Procurement Monitoring System. The Document Tracking System (D-Tracks) introduced in May 1993 also underwent several improvements during the year. These paved the way for a more enhanced Dtracks Plus, the full implementation of which will eliminate the logbook system.

The Optical Filing System was extensively used by a number of departments to capture images of documents into optical disks. This resulted in a considerable decrease in requirements for filing cabinets as well as in increased efficiency in the retrieval and storage of voluminous documents.

Public Relations

Significant steps towards the advancement of PDIC's public relations were taken in 1993 inspite of the manpower shortage in the Client Services and Information Center. A number of programs and projects planned for the year still materialized which included

external and internal publications and avenues for interaction among officers and staff.

The Depositors' Protection Bureau, a quick response action desk aimed at servicing queries, requests and complaints of the depositing public was soft-launched through a press conference in December.

In an effort to disseminate information of public significance, the Corporation held a number of press conferences and released news and information materials relative to its expanded powers and functions.

The continued publication of two of PDIC's external publications, the *Communique*, a quarterly newsletter whose substance caters to the banking sector and the *Financial Schemes Available to the Philippine Countryside*, a compilation of financing programs of various government and private institutions, received good following as evidenced by the numerous requests for copies and

Key Performance Indicators (KPIs) were enhanced to provide a more effective management tool for policy implementation and the measurement of corporate performance.

With the key role that planning plays in formulating corporate strategy as well as in monitoring accomplishments, the need for adequate manpower support became a paramount objective.

Internal Control

The scope of the Internal Audit Program was enlarged to include public service delivery in addition to its traditional focus on controls and operational efficiency. The test run of this new audit component called the Service Quality Review (SQR) was successfully conducted with the goal of launching the first rated SQR in 1994. This new audit component is a unique endeavor to measure and recognize excellence in the turnaround for the delivery of services according to pre-defined service standards. On the operations side, the periodic verifications and the comprehensive Operations Quality Reviews (OQRs) were sustained. Thirteen (13) rated and four unrated OQRs were conducted in 1993. Also introduced were four new quarterly verifications namely: (a) review of disbursement vouchers; (b) Commission on Audit (COA) comments monitoring; (c) COA Notices of Suspensions and Disallowances monitoring; and (d) security review.

Forty-seven (47) Policy Manual drafts were reviewed and were eventually approved by the Board.

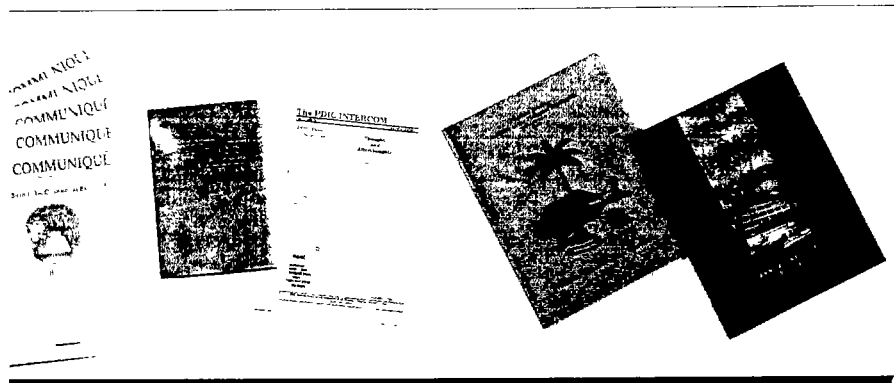
To assure resolution of existing and potential audit concerns, the Management Control Office continued to function as the management link to the COA.

inclusion in the mailing list for both publications which were received during the year.

Corporate Planning

The year started with a Corporate Planning Exercise to give direction to PDIC's mission and objectives and to realize corporate goals.

Information systems were upgraded and



LEGAL SERVICES

The first year of implementation of RA 7400 posed major challenges to the Legal Affairs Group. This meant a more prompt and more effective discharge by the Corporation of its statutory functions as receiver and liquidator.

Litigation

The Corporation's fasttrack project to take over and liquidate some 200 closed banks under the receivership of the BSP required an expeditious processing of more than 300 cases involving insured deposit claims and receivership and liquidation accounts of 58 banks.

The Litigation Center managed and monitored 406 legal cases ranging from special proceedings to corporate cases and to petitions for assistance in the liquidation of banks. To facilitate the legal proceedings as provided by law, PDIC lawyers collaborated with their counterparts at the Office of the Government Corporate Counsel to act as principal counsel for PDIC. PDIC lawyers also supervised and monitored the handling of cases of closed banks by accredited

external counsels.

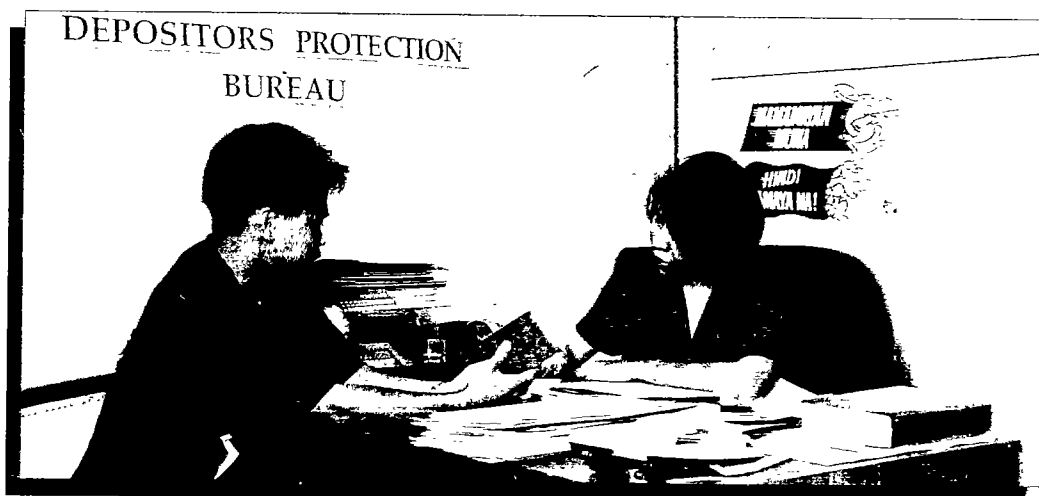
A summary of bank offenses to aid R&L personnel in evidence gathering against erring directors, officials, employees and agents of banks was also prepared in 1993.

Legal Advisory Services

The Legal Services Department released (LSD) 338 legal opinions and contracts in 1993. One of the significant legal opinions rendered by the LSD was the fixing of the effectivity date of bank closure in instances when the Monetary Board resolution is silent on the effectivity date of closure of an insolvent bank.

Investigation

The Investigation Center conducted and completed 65 personnel background investigations, 11 credit background investigations on suppliers and service contractors, 15 special investigations on bank transactions and 14 investigative reports on other concerns.



CORPORATE SERVICES

The year 1993 marked a major leap towards greater efficiency in the rendering of support services by the Corporate Services Sector. The approval of the amendments to the PDIC Charter in 1992 and their full implementation in 1993 required changes in the Corporation's structure and improvement in its systems to enable it to respond to its new mandate.

Service Delivery

Turn-Around-Times (TAT) for specific services were instituted requiring the assignment of specific time targets for the delivery of services. Such services included the processing of initial salary, payment of medical reimbursements and overtime pay, procurement and delivery of requisitions, repair and maintenance services, messengerial and office services, security assistance, janitorial services and processing of travel prepayments. Thus, services were delivered efficiently and within a predictable time period.

Organizational Development

A reorganized structure was prepared during the first quarter. In close coordination with the Department of Budget and Management, a total of 1,325 positions have been created and approved for filling up. Therefore, despite very limited resources, the Sector was able to effect a very smooth reorganization in December 1993.

A total of 152 new employees were hired to augment the much needed manpower requirement of the Corporation.

Financial Management

The Sector has been tasked to manage not only funds of the Corporation but also funds of banks under receivership and liquidation and a Special Fund under RA 5517 for paying insured deposits of banks closed prior to the creation of the PIF. Investible funds of closed banks under receivership liquidation are turned over to the Sector and pooled for investment purposes to take

advantage of higher interest rates.

Human Resource Development

To maintain the corporate culture where meritocracy is upheld, rigid standards in recruitment continued to be strictly followed. The same standards applied to those who were already on board, such that officers and rank and file who delivered exemplary performances were duly recognized either through awards or promotions. There were a total of 108 officers and staff granted the Chairman's and Presidential Awards of Recognition while 85 were promoted to officer and rank and file positions using the Corporation's Merit Promotion Plan.

In line with the corporate belief that its people are its most important resource, efforts towards further professionalizing its manpower have been continuously supported. Thus, the implementation of a comprehensive and rigorous training program was carried out wherein a total of 447 officers and staff were sent to 96 training programs for a total of 33,484 training hours.



Personnel Management

In recognition of the capability of the Corporation to administer personnel functions, the Civil Service Commission (CSC) has approved the accreditation of the Corporation to approve appointments without the need for the attestation of the CSC.

STRATEGIC DIRECTIONS

The PDIC shall basically use its enhanced capabilities in continuing to strengthen the banking system since a strong banking system provides the best protection for depositors.

The Corporation shall sustain the gains it has made in bank examination through the employment of a working database on critical financial risk indicators of banks and the use of sharper examination tools and techniques to detect weak areas.

It will strive for a high measure of credibility in examination findings so that bank management will be motivated to adopt corrective measures to strengthen weak areas in their operations.

Banks found in need of financial assistance will be provided the most effective type of such support after a thorough process of evaluation.

PDIC shall enhance its capacity for receivership and liquidation. Technical capability will be improved through rigorous personnel training and systems support programs to effect the timely termination of liquidation activities of closed banks transferred to it from the BSP as well as those of new closures ordered by the Monetary Board. The recovery of assets of closed banks will be maximized while astute custodianship of R&L assets will be rigorously carried out.

Prompt and proper settlement of claims for insured deposits shall be a continuous activity which will be performed under strict controls and standards that have been previously set by the Corporation. Further simplification of processing will be studied. The Corporation shall continue its conduct

of study of other convenient alternative modes of settling claims of depositors.

The PDIC shall accomplish these goals with a bigger resource base with the securing of additional subscription of the Permanent Insurance Fund.

The Corporation shall likewise work for an effective information sharing with the Bangko Sentral ng Pilipinas and the banking community. With the database system in place, the Corporation hopes to generate timely, quality and truthful data on banks and other useful public information.

RA 7400 paved the way for the participation of the private sector in PDIC's decision making by providing for the inclusion of two private sector representatives in the PDIC Board of Directors. This break was first actualized by His Excellency President Fidel V. Ramos in 1993 with the appointment of Directors Felipe B. Alfonso and Antonio A. Poblete as members of the Board. With private sector representation in place, it is expected that the welfare of PDIC's publics shall be given more weight in planning and policy making and responding to the public's needs shall be more pronounced in the Corporation's coming programs activities

With more corporate responsibilities and work expectations, PDIC shall continue its build-up of quality manpower. The Corporation maintains a positive attitude towards the attainment of these goals despite limitations and constraints common to government corporations, such as uncompetitive remuneration and restrictions in the recruitment of additional manpower.

FINANCIAL HIGHLIGHTS

The implementation of the new PDIC Charter which among other changes buttressed the Corporation's Permanent Insurance Fund (PIF) and rationalized the assessment rate plus the application of effective fund management were reflected in the Corporation's financial performance in 1993.

Gross revenues reached ₱1.58 billion in 1993, a 42.36% increase over the ₱1.11 billion recorded in the previous year. The PDIC realized a substantial increase in income before provision for losses of 74.41% from ₱694.36 million in 1992 to ₱1,211 million in 1993.

With higher earnings, provision for insurance losses correspondingly went up by 77.28% from ₱670.68 million to ₱1,189 million.

Funds handled by the Corporation has significantly increased due to efforts for

improved corporate earnings such as the availment of highest market rates. The amount of increase was ₱1.735 billion or 33% from ₱5.275 billion in 1992 to ₱7.010 billion in 1993. The ₱7.010 billion consists of PDIC funds – ₱4.707 billion; funds of banks under receivership/liquidation (R/L) funds – ₱2.289 billion; and RA 5517 funds – ₱14.435 million.

The Corporation earned 9.64%, net of tax or ₱453.85 million from investible Corporate funds of ₱4.707 billion; 9.08% net of tax or ₱208.07 million from R&L funds of ₱2.289 billion and 7.07% after tax or ₱1.021 million from RA 5517 fund of ₱14.435 million.

The PIF also increased by 2.47% from ₱1.97 billion to ₱2.02 billion with the collection of additional equity from the government.

FINANCIAL PERFORMANCE HIGHLIGHTS (In Million Pesos)					
	1989	1990	1991	1992	1993
Premiums Collection	₱ 197.23	₱ 254.38	₱ 316.11	₱ 348.60	₱ 1,000.46
Gross Revenues	476.90	823.23	1,073.62	1,111.61	1,582.46
Deposit Insurance Fund	2,031.97	2,051.34	2,078.23	2,100.26	2,146.30
Earnings	10.19	12.31	16.48	22.07	8.83
Reserves	₱ 575.74	₱ 813.36	₱ 1,412.75	₱ 2,025.21	₱ 2,066.46

STATEMENT OF CASH FLOWS

For the year ended December 31, 1993

Cash Flows from Operating Activities:

Collection from assessment premiums/deficiencies/ penalty/interest on deficiency	₱ 1,001,718,423	
Interest earned and penalty charges	677,162,702	
Payment of interest on CB notes	(305,285,302)	
Payment of insured deposits	(39,997,666)	
Prepaid tax on PGO	(76,713,702)	
Personal services	(54,893,457)	
Maintenance and operating expenses	(17,937,291)	
Earned discount	93,925,940	
Gain on sale of PGO	4,549,730	
Purchase of supplies & materials standees & decals, documentary stamps	(4,367,736)	
Reimbursement of expenses by World Bank	6,664,541	
Various inflow	841,868	
Various outflow	<u>(3,927,022)</u>	1,281,741,028

Cash Flows from Investing Activities:

Proceeds from matured investments (PGO)	15,208,596,381	
Placements on PGO (Investments)	(12,341,769,992)	
Financial assistance – RB of Minglanilla	(5,000,000)	
Loan repayments (financial assistance)	166,620,402	
Building	(43,764,972)	
Equipment	(2,782,802)	
Furniture & fixtures	(1,535,722)	
Loans granted under Provident Fund	<u>(5,000,000)</u>	2,975,363,295

Cash Flows from Financing Activities:

Partial equity contribution of the national government	48,725,000	
Payment of notes payable to CB	<u>(225,000,000)</u>	<u>(176,275,000)</u>
Net increase in Cash and Cash Equivalent		4,080,829,323
Beginning Balance as of January 1, 1993		<u>336,286,811</u>
Ending Balance as of December 31, 1993		<u>₱ 4,417,116,134</u>

INCOME & RETAINED EARNINGS

(In Thousand Pesos)

	1993	1992	% Growth
INCOME	P 1,582,460	P 1,111,611	42.36
Assessment Income	1,000,456	348,600	186.99
Interest Earned	206,037	159,275	29.36
Earned Discounts	369,195	603,441	-38.82
Other Income	6,772	295	2,195.59
EXPENSES	476,438	417,074	14.23
Personal Services	62,316	49,124	26.85
Management Expenses	24,610	13,822	78.05
Property Expenses	15,666	10,684	46.63
Communications	1,266	856	47.90
Interest Expenses	268,352	332,839	-19.37
Travel	2,845	1,372	107.36
Taxes	92,712	363	25,440.50
Others	8,671	8,014	8.20
INCOME BEFORE PROVISION FOR LOSSES	1,211,061	694,357	74.41
Provision for Losses	1,202,232	672,292	78.82
NET INCOME	8,829	22,065	-59.99
RETAINED EARNINGS, January	78,575	60,342	30.22
Add Prior Year's Adjustment	(20,576)	(3,832)	-436.95
RETAINED EARNINGS December	P 66,828	P 78,575	-14.95

STATEMENT OF CONDITION

(In Thousand Pesos)

	1993	1992	% Growth
CURRENT ASSETS	₱ 4,909,822	₱ 3,818,125	28.59
Cash, including short-term deposits	4,308,437	233,800	1742.79
Settlement for claims account	108,668	102,397	6.12
Due from CB (PDIC Account)	11	90	-87.78
Philippine Government Obligations	399,937	3,266,763	-87.76
Due from Officers & Employees	112	324	-65.43
Accounts & Other Receivables	91,106	199,009	-54.22
Inventory of Supplies & Materials	575	517	11.22
Prepaid Expense	976	15,224	-93.59
ASSETS ACQUIRED IN BANK ASSISTANCE AND DEPOSIT SUBROGATED TRANSACTIONS	2,550,675	3,762,927	-32.22
PROPERTY AND EQUIPMENT Net of Accumulated Depreciation	192,427	159,166	20.90
OTHER ASSETS	33,963	27,062	25.50
TOTAL ASSETS	7,686,887	7,767,279	-1.04
CURRENT LIABILITIES	90,098	18,912	376.41
Accounts Payable	86,295	18,145	375.59
Accounts Payable - PNB	323	405	-20.25
Due to Officers & Employees	3,480	362	861.33
LONG-TERM LIABILITIES	3,360,247	3,606,599	-6.83
Notes Payable	2,525,000	2,750,000	-8.18
Accrued Interest Payable - CB	835,247	856,599	-2.49
OTHER LIABILITIES AND DEFERRED CREDITS	21,785	16,304	33.62
Accounts Payable - Perpetual SB	1,000	1,000	0.00
Deferred Assessment Income	517	35	1377.14
Provision for Retirement	20,269	15,269	32.75
ESTIMATED LIABILITIES			
Estimated Insurance Losses	2,066,459	2,025,208	2.04
TOTAL LIABILITIES	5,538,590	5,667,023	-2.27
DEPOSIT INSURANCE FUND	2,148,298	2,100,256	2.29
Permanent Insurance Fund	2,022,213	1,973,488	2.47
Donated Surplus	58,208	47,124	23.52
Contingent Surplus	1,049	1,070	-1.96
Retained Earnings	66,828	78,575	-14.95
TOTAL LIABILITIES AND DEPOSIT INSURANCE FUND	₱ 7,686,887	₱ 7,767,279	-1.04

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Valuation of Investments

Securities/investments in Philippine Government Obligations are recorded at cost. Income from these investments are accrued daily and recorded monthly over the term of the investment. Final taxes are booked as Prepaid Taxes and amortized monthly over the term of the investment.

2. Estimated Insurance Losses

This account is used to estimate the liabilities of PDIC for the payment of depositors' claims in banks expected to close in the short term to the extent that PDIC cannot recover from the banks' existing assets. Upon a periodic review of its insurance risk, the Corporation estimates on the basis of historical experience the insurance losses from the expected closure by the BSP of some distressed banks.

3. Allowance for Losses on Subrogated Claims

Monthly, a valuation reserve is provided to take care of the insurance losses on subrogated claims paid by the Corporation. For this purpose, the account Allowance for Losses on Subrogated Claims Paid is used. In order that the Subrogated Claims Paid are presented fairly, the PDIC Board approved the increase of the allowance for losses on subrogated claims paid to 50% of the total Subrogated Claims Paid. This is based on historical data available regarding the recoveries of the Corporation from closed banks. Increase or decrease in this account is closed to the Estimated Insurance Losses account.

4. Allowance for Uncollectible Accounts

Effective this year, as approved by the PDIC Board, the amount of the provision for uncollectible accounts is increased to 70% of total Accounts Receivable –

Receivership.

5. Depreciation of Fixed Assets

Fixed assets are carried in the books at acquisition cost. Provision for depreciation is computed based on the straight-line method. Depreciation cost is allocated over the estimated useful lives of the depreciable assets as follows:

Furniture and Fixtures	5 years
Equipment/Vehicles	5 years
Computers	3 years
Building (Salcedo)	10 years
Building (Pasing Tamo)	25 years
Airconditioning	10 years
Elevators	10 years

Expenditures for ordinary maintenance and repairs are charged to expense as incurred.

6. Notes Payable

This account includes Notes Payable to the BSP in the amount of ₱1.521 billion and Notes Payable to CB-BOL in the amount of ₱1.004 billion. The Notes Payable retained with the CB-BOL will eventually be converted to equity.

7. Subrogated Claims Paid Assigned

The account represents the amount of Subrogated Claims paid assigned to the BSP in exchange for Notes Receivable from the borrower banks under the CFI Enhance Program participated in by PDIC, Land Bank of the Philippines and the BSP.

8. Donated Surplus – World Bank Grant

This account is credited for reimbursement of expenses received from the World Bank in relation to PDIC's Institutional Strengthening Program. This year, the account was credited for expenses such as training and equipment even as reimbursements for these expenses have not yet been received in accordance with a COA recommendation.

EXECUTIVE OFFICERS



VITALIANO N. NAÑAGAS II
President



CAESAR OCTAVIUS V. PARLADE
Senior Vice President
Insurance and Examination



ROSALINDA U. CASIGURAN
Senior Vice President
Claims, Receivership and Liquidation



NIEVELEÑA V. ROSETE
Senior Vice President
Corporate Services



BEVERLY B. SANCHEZ
Vice President
Special Actions and Assistance Group



CATHERINE F. BAMBA
Vice President
Special Services



ARMANDO L. QUILALA
Vice President
Management Control



MA. ELENA E. BIENVENIDA
Vice President
Finance

PDIC LIST OF OFFICERS

(as of December 1993)

CORPORATE DIRECTION AND CONTROL SECTOR

Office of the President

Ester B. Binalla, CEO III

Mgt. Control Office

Zenaida A. Villaroman, ADM II

Filomena E. Jongco, ADM II

Information Technology Ctr.

Rosola A. Vivas, DM III

Rodante G. Pineda, ADM II

Jose Alexander G. Festin, CEO I

Client Services and Information Ctr.

Ma. Joji V. Aragon, ADM II

LEGAL AFFAIRS SECTOR

Investigation Ctr.

Rene B. Bachoco, CEO I

R & L Litigation Ctr.

Pablo Y. Romero, Jr., ADM II

Corporate Litigation Ctr.

Jesus G. Serrano, ADM II

Legal Services for Administration Ctr.

Avelino T. Iglesias, Jr., ADM II

(OIC of Investigation Ctr.)

CLAIMS, RECEIVERSHIP AND LIQUIDATION SECTOR

OVP, Receivership & Liquidation

Operations Control Office

Elenita B. Vidal, DM III

Lolita M. Hernandez, CFO I

Angel B. Obrero, CEO I

Presettlement Examination Ctr.

Teodoro F. Gallardo, DM III

Fagar C. Ante, ADM II

Victoria M. Canino, CEO I

Claims Settlement Ctr.

Josephine C. Gonzales, DM III

Elizabeth E. Oller, ADM II

R & L Takeover Ctr.

Teresita D. Gonzales, DM III

Teodoro Jose D. Hirang, CEO I

R & L Asset Administration & Recovery Ctr.

Noemi R. Javier, DM III

Imelda M. Renda, ADM II

Antonio V. Marquez, CEO I

Renato N. Pulido, CEO I

R & L Settlement Ctr.

Edita D. Villa, DM III

Benefico M. Magday, CEO I

R & L Home Office

Ma. Regina R. Fajardo, DM III

Anita R. Gongon, CEO I

Arturo B. Caronongan, Jr., CEO I

R & L Express Lane

Aurora C. Baldoz, DM III

Lewy C. Cruz, CEO I

INSURANCE AND EXAMINATION SECTOR

OSVP, Insurance & Examination

Benjamin M. Sales, Jr., CEO II

Insurance Office

Jocelyn J. Nepomuceno, ADM II

Analiza R. Santos, CEO I

Bank Performance & Monitoring Ctr.

Ma. Goretti I. Jimenez, DM III

Serafin A. Fule, Jr., ADM II

Field Examination Ctr. I

Geronimo V. Ambe, ADM II

Ma. Theresa G. Accion, CFO I

Field Examination Ctr. II

Resma S. Baagwati, DM III

Lolita D. Revillo, CEO I

Josefina J. Velilla, CEO I

OVP - Special Actions & Assistance

Ma. Ana Carmela L. Villegas, CEO II

Failure Resolution Ctr.

Lilian I. Serna, DM III

Eliseo R. Ramallosa, CEO I

Financial Assistance Management Ctr.

Sandra P. Arce, DM III

CORPORATE SERVICES SECTOR

Treasury Ctr.

Josefina G. Coligado, ADM II

Ruth A. Refran, CEO I

Merlie M. Cañaverl, CEO I

Accounting Ctr.

Glorificacion M. Nocos, DM III

Zenaida P. Bautista, CEO II

Human Resource Mgt. Ctr.

Eleanor B. Lopez, DM III

Esther Lily Jeanne Q. Aceña, CEO II

Araceli H. Tabac, CEO I

Internal Services Mgt. Ctr.

Flordeliz C. Porsovigan, DM III

Antonio S. Paray, ADM II

Herminda T. Lloren, DC III

ISMC - Security, Transportation & Communications Div.

Juan V. Lanung, DC III

Legend:

DM - Department Manager

ADM - Assistant Department Manager

OIC - Officer-in-Charge

CEO - Corporate Executive Officer

DC - Division Chief