



# Philippine Deposit Insurance Corporation

# 1995 ANNUAL REPORT

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## **VISION**

The Philippine Deposit Insurance Corporation, operationally responsive to the needs of the depositing public and the banking community; professionally managed, financially strong, adequately manned and equipped, toward the enhancement of sound banking and savings mobilization for national development.

The PDIC employee, an epitome of exemplary public service.

## **MISSION**

As INSURER, provide adequate depositor protection and education and ensure immediate processing and settlement of depositor claims;

As REGULATOR, conduct diligent monitoring and examination of member banks and undertake prompt, decisive and prudent interventions;

As RECEIVER, implement efficient receivership, judicious rehabilitation, and expeditious liquidation of closed banks.

## **BELIEFS**

Integrity, professionalism, resourcefulness, perseverance, teamwork, and developmental spirit are essential in accomplishing our missions;

Improvement of service delivery is a continuing commitment; and

People are our most important resource.

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**PHILIPPINE DEPOSIT INSURANCE CORPORATION**  
METRO MANILA, PHILIPPINES

June 1996

HIS EXCELLENCY  
**PRESIDENT FIDEL V. RAMOS**  
Malacañang, Manila

Dear Mr. President:

I have the honor to submit the Annual Report of the Philippine Deposit Insurance Corporation (PDIC) for 1995, pursuant to the provisions of Section 15 of Republic Act 3591, as amended. This report highlights the major developments in the operations of the Corporation and the role of PDIC in strengthening the Philippine banking system through its insurance and regulatory functions.

In behalf of the PDIC Board of Directors, its management and staff, we thank His Excellency for his support as we further enhance our capabilities in providing protection to small depositors through the attainment of a healthier banking system.

Very respectfully yours,

  
**ERNEST LEUNG**  
President

# I. THE ECONOMY AND THE PHILIPPINE BANKING SYSTEM

## Towards A Sustained Growth Path

The Philippine economy sustained its growth during the year having regained from the recession of the early 1990s. The recovery strengthened in 1995 as total output (measured by the Gross National Product or GNP) grew strongly for the second consecutive year at 5.7% from 5.3%. It was achieved during the year when agriculture slackened considerably. However, growth in the industry and services sectors more than compensated for the slowdown in agriculture. The restoration of political stability and institution of economic reforms helped realize this gain.

The recent economic expansion was fueled by growth in merchandise exports which grew by 29%. To some extent, this reflected the improvements in power supply situation and removal of quantitative trade restrictions. Import growth was also strong at 24% in 1995, thus further widening of trade deficit at \$9 billion. But with the continued capital inflows from official and private sources, the current account deficit was virtually eliminated. This allowed the BSP to build its gross international reserves to cover 2.7 months of imports.

The national government also contributed significantly to the country's sustained growth by posting a fiscal surplus in 1995. This was largely brought about by increased privatization receipts and

turnaround in the position of BSP. Firm monetary policies were also pursued which checked rising inflation and appreciating peso-dollar exchange rate. As a result, average inflation rate was slightly lower and exchange rate has moderately appreciated. Despite these efforts, monetary aggregates continued to grow briskly with broad money supply by 28% in 1995.

While the economic prospects in the forthcoming years appeared reasonably bright, some areas need to be addressed to sustain the growth momentum. Besides the maintenance of firm monetary policies, it would require the provision of adequate infrastructure, increased investments particularly in agriculture, further fiscal consolidation and measures to boost the country's international competitiveness. Gross domestic savings as a percentage of GDP steadied around 15%, still far below our neighboring Southeast Asian economies; savings should be accelerated to support the growing investment requirement of the economy.

## Confidence in the Banking System

With the gradual but favorable economic gains in the past two years, the Philippine banking system continues to post a robust growth. The investors' confidence to the economy was renewed and the effects of relaxation of banking regulations started to show in 1995.

Table I.1. NUMBER OF BANKS AND BANKING OFFICES

| Type of Bank                         | Number of Banks a/ |      |      | Number of Branches<br>(Including Head Offices) b/ |       |       |
|--------------------------------------|--------------------|------|------|---|-------|-------|
|                                      | 1992               | 1993 | 1994 | 1992  | 1993  | 1994  |
| COMMERCIAL BANKS                     | 32                 | 32   | 33   | 2,222   | 2,445 | 2,743 |
| Expanded                             | 13                 | 14   | 16   | 1,605   | 1,855 | 2,227 |
| Regular                              | 15                 | 14   | 13   | 612   | 585   | 511   |
| Foreign                              | 4                  | 4    | 4    | 5   | 5     | 5     |
| SPECIALIZED GOV'T BANKS (SGBs)c/     | 3                  | 3    | 3    | 181   | 202   | 222   |
| THRIFT BANKS                         | 98                 | 98   | 101  | 620   | 683   | 721   |
| Savings & Mortgage Banks (SMBs)      | 7                  | 8    | 12   | 309   | 326   | 335   |
| Private Development Banks (PDBs)     | 37                 | 37   | 37   | 181   | 213   | 228   |
| Savings and Loan Associations (SLAs) | 54                 | 53   | 52   | 130   | 144   | 158   |
| RURAL BANKS                          | 787                | 759  | 762  | 353   | 415   | 490   |
| ALL BANKS                            | 920                | 892  | 899  | 3,376   | 3,745 | 4,176 |

a/ Based on data generated by the Philippine Deposit Insurance Corporation

b/ Based on BSP reports, includes all types of banking units and overseas branches of Philippine banks

c/ SGBs refer to Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP), and Al-Amanah Bank

Source: BSP

The entry of 10 foreign banks and opening of 26 more domestic banks triggered greater competition as local banks set up more branches and further strengthened their market base. The number of bank branches increased from 3,376 in 1992 to 4,384 by the end of 1995. The expansion was most pronounced in Metro Manila and the high-growth regions of Southern Tagalog, Central Visayas, Central and Muslim Mindanao, and Central Luzon.

Collectively, banks accounted for 79% of the total resources of the financial system and have been growing faster than non-banks by 2.0% for the past three years. Assets of the banking system have been expanding by an average of 24% for the past four years. By year-end 1995, total assets swelled to P1.61 trillion or 27.9% higher from last year's level. In the process, the system was able to mobilize deposits that grew by 26.1% in 1995. Total deposits reached P1.02 trillion in 1995 and has been expanding by an average of 24.5% for the last four years. The surge in total deposits could be traced to the aggressive marketing strategies and widening of financial products and services offered by banks.

Banks competed more intensely to meet the increasing credit demand in manufacturing, financial

and real estate, and retail and wholesale trade sectors. As a result, the aggregate loan portfolio rose to 35.9 % in 1995 amounting to P861 billion. Total loans have been growing at a healthy pace averaging 29.9% over the past four years. With more resources, particularly deposits deployed to provide loans, the intermediation (loans-to-deposit) ratio of the banking system has been increasing from 79.1% in 1992 to 94.3% in 1995. Specialized government and rural banks were still posting more than 100% but their ratios were notably declining during this period.

### The Banking System and the Growing Economy

The improving performance of the banking system has increased its significance in the growing economy. As a ratio to current GNP, total deposits have grown to 51.7%, and total banking assets by 81.5% in 1995. This indicated the financial deepening of the economy with increasing resources from banking institutions being mobilized and deployed to finance growth. Consequently, banks strived to utilize these financial resources more efficiently. Through instituting risk management and cost-effective measures, the ratio of risk assets to capital remained unchanged while the ratio of operating expenses to net revenues was declining.

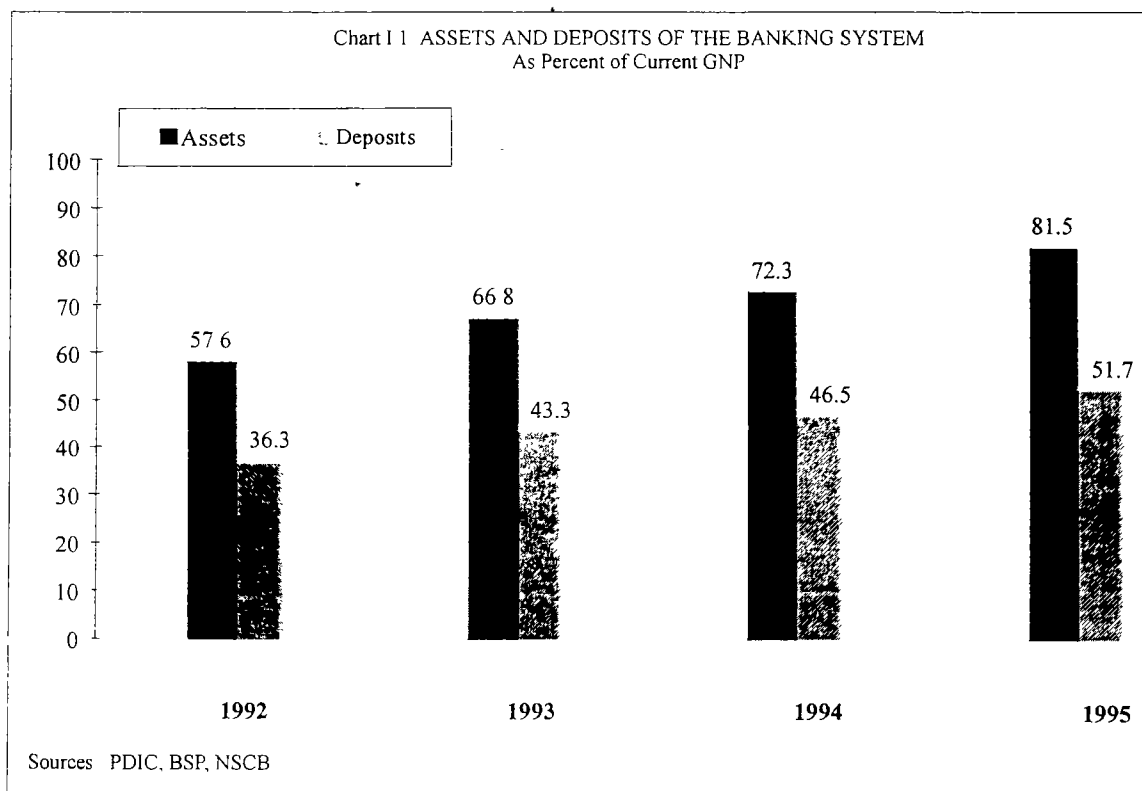


Table I 2. PHILIPPINE BANKING SYSTEM

SELECTED DATA<sup>a/</sup>  
(Amounts in Millions)

| ACCOUNTS                              | 1992           | 1993             | 1994             |
|---------------------------------------|----------------|------------------|------------------|
| <b>STATEMENT OF CONDITION</b>         |                |                  |                  |
| Net Loans                             | 398,021        | 550,471          | 704,810          |
| Investments                           | 147,478        | 155,323          | 219,222          |
| Risk Assets                           | 579,173        | 775,410          | 966,954          |
| <b>TOTAL ASSETS</b>                   | <b>798,352</b> | <b>1,001,775</b> | <b>1,255,979</b> |
| Deposits                              | 503,137        | 649,463          | 807,895          |
| Borrowings                            | 89,781         | 116,347          | 165,431          |
| <b>TOTAL LIABILITIES</b>              | <b>684,169</b> | <b>868,078</b>   | <b>1,087,042</b> |
| <b>CAPITAL OR EQUITY<sup>b/</sup></b> | <b>114,183</b> | <b>133,697</b>   | <b>168,937</b>   |
| <b>INCOME &amp; EXPENSES</b>          |                |                  |                  |
| Interest Income                       | 75,868         | 77,832           | 103,804          |
| Interest Expense                      | 43,812         | 43,240           | 56,846           |
| <b>NET INTEREST REVENUE</b>           | <b>32,056</b>  | <b>34,591</b>    | <b>46,958</b>    |
| Other Operating Income                | 20,050         | 22,542           | 21,745           |
| Other Operating Expense               | 34,955         | 41,572           | 48,922           |
| <b>NET OPERATING REVENUE</b>          | <b>17,151</b>  | <b>15,561</b>    | <b>19,781</b>    |
| Non-Operating Income/Expenses         | 2,789          | 4,121            | 5,706            |
| <b>NET INCOME BEFORE TAX</b>          | <b>19,940</b>  | <b>19,682</b>    | <b>25,487</b>    |
| <b>Ratios</b>                         |                |                  |                  |
| Income/Assets (ROA)                   | 2.50%          | 1.96%            | 2.03%            |
| Income/Equity (ROE)                   | 17.46%         | 14.72%           | 15.09%           |
| Net Loans/Deposits                    | 79.11%         | 84.76%           | 87.24%           |
| Other operating Expense/Total Assets  | 67.08%         | 72.76%           | 71.21%           |
| Capital/Risk Assets                   | 19.71%         | 17.24%           | 17.47%           |

<sup>a/</sup> Data are based on consolidated statements submitted by banks which include accounts in overseas branches<sup>b/</sup> Include Net Due to/from Head Office/Branches/Agencies Abroad to the extent allowed by BSP Regulations  
Sources: BSP, PDIC

Moreover, the deliberate effort of banks in reaching out to more communities was accompanied by more resources for deployment. Assets per branch was estimated to have remarkably increased from a negative growth of 0.3% in 1992 to 18.1% in 1995. The rise in the number of branches in 1995 also indicated their plan to position themselves in densely populated Metro Manila and growth areas in the countryside to be more accessible to target market segments. From 1992 to 1995, bank servicing improved from an average of 19,354 persons to one bank branch down to 15,169 persons per bank branch. As a result, deposits in each branch improved from 0.7% to 13.4% for the same period.

The banking system reported a total of P32.7 billion in net income at the end of 1995, a 31.4% hike from its 1994 level. The past two years have been very good for the industry in terms of profitability, after exhibiting a lackluster average growth of 3.2% from 1992 to 1993. However, when measured in terms of

returns to assets and equity, it has actually slackened. During the period 1992-1995, ROA dropped from 2.5% to 2.0% while ROE also went down from 17.5% to 14.5%. The effects of recent deregulation spurred the competition among banks which historically led to thinner margins. As banks invested heavily in technology and compensation benefits to provide better information and services, it increased the cost of its funds which dampened its expected yields.

With the buoyant performance of the economy and barring any adverse situation, the banking industry is definitely headed to a high growth path. However, with the heightened use of new banking technologies and the creation of new financial instruments, banks need to be better informed of the changing risks in their operations. Transparency in the financial condition of banks is necessary not only to guide regulators, investors, and the general public but even the banks themselves in an industry landscape undergoing sweeping transformation.



## II. PDIC'S MANDATE

### INSURANCE AND EXAMINATION

PDIC was created primarily to protect small depositors against bank failure. The maximum insurance coverage for each depositor of member banks is currently P100,000. In the aggregate, this translates to the insurance of P248.9 billion out of the total deposits of P1.01 trillion in 1995. While total deposits grew by 26.8%, insured deposits rose by only 12.8%, reducing coverage down to 24.6% of total deposits. The percentage of deposits covered by insurance was notably higher at 66.2% in the rural banking sector where deposit balances are generally smaller (Chart II.1).

#### Adequacy of Resources for Insurance

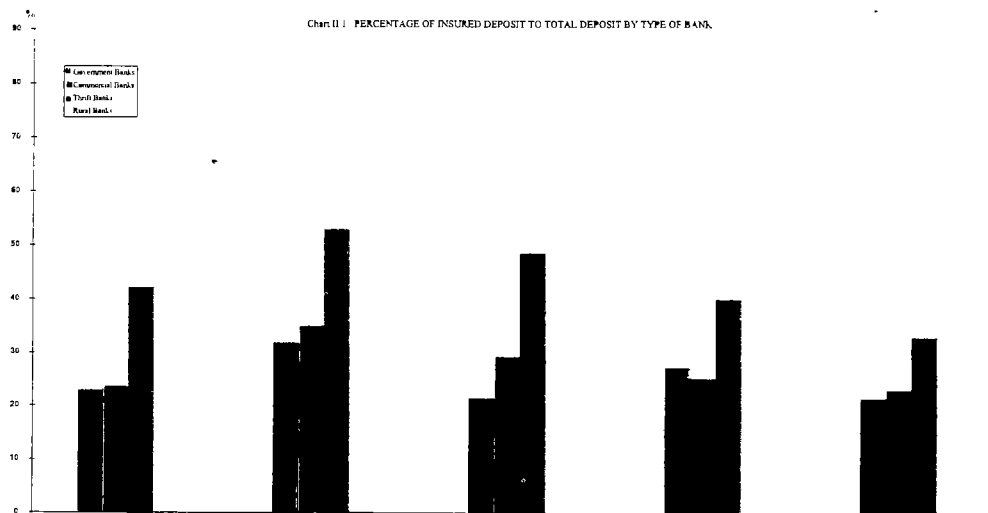
PDIC relies on the assessments levied on member banks, the Permanent Insurance Fund (PIF), and borrowings to meet the obligations of bank failures. In 1995, total insurance reserves grew to P9.1 billion, or P2.1 billion higher than 1994 (Table II.1). This is in recognition of the increasing risk brought about by the rapid expansion of the banking system and

the intensifying competition against the backdrop of financial liberalization.

As of 1994, the insured status of 33 banks were terminated for non-payment of insurance premium. Nine of these were eventually closed before the effectivity of termination, thereby permitting depositors continued entitlement to the benefit of insurance. Three other banks were closed after the termination when deposits were already without insurance. Of the 21 other banks which have not been closed, 17 are in the strife-torn areas of Mindanao and four continue to operate without deposit insurance (Table II.2).

#### Insurance Cover for Government Deposits

At present, government deposits in banks are treated similarly with other deposits and are levied the same insurance premium rate. These funds are channeled through the formal payments system typically to be utilized for vital government projects. Interestingly, despite billions in deposit in a bank, the Government as depositor has the same maximum insurance claim of P100,000.

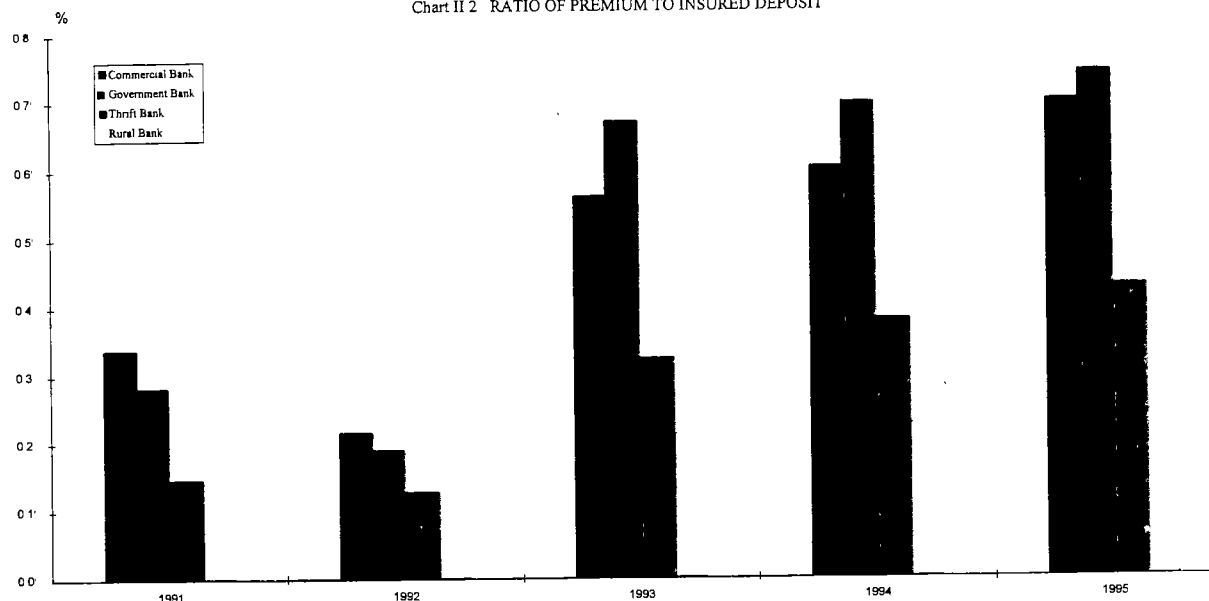


(Amounts in Million Pesos)

| Type of Bank                  | 1991              |                     |       | 1992              |                     |       | 1993              |                     |       | 1994              |                     |       | 1995              |                     |       |
|-------------------------------|-------------------|---------------------|-------|-------------------|---------------------|-------|-------------------|---------------------|-------|-------------------|---------------------|-------|-------------------|---------------------|-------|
|                               | Total Deposit (A) | Insured Deposit (B) | % B/A | Total Deposit (A) | Insured Deposit (B) | % B/A | Total Deposit (A) | Insured Deposit (B) | % B/A | Total Deposit (A) | Insured Deposit (B) | % B/A | Total Deposit (A) | Insured Deposit (B) | % B/A |
| Government Banks <sup>a</sup> | 77,424.4          | 17,488.8            | 22.6  | 105,622.2         | 33,164.9            | 31.4  | 161,468.9         | 34,112.3            | 21.1  | 166,450.5         | 44,907.5            | 27.0  | 211,189.7         | 45,157.7            | 21.4  |
| Commercial Banks              | 303,338.7         | 71,114.2            | 23.4  | 335,900.1         | 116,662.0           | 34.7  | 412,912.1         | 119,844.9           | 29.0  | 549,835.2         | 137,581.0           | 25.0  | 685,752.6         | 158,221.0           | 23.1  |
| Thrift Banks                  | 33,578.6          | 14,162.7            | 42.2  | 40,199.8          | 21,284.4            | 52.9  | 50,259.2          | 24,369.4            | 48.5  | 64,004.0          | 25,564.7            | 39.9  | 91,212.1          | 30,022.4            | 32.9  |
| SMBs                          | 23,563.9          | 9,136.8             | 38.8  | 28,300.9          | 14,117.6            | 49.9  | 33,537.4          | 15,673.0            | 46.7  | 42,435.6          | 15,776.6            | 37.2  | 57,277.2          | 18,389.3            | 32.1  |
| SLAs                          | 3,714.1           | 2,376.2             | 64.0  | 4,308.3           | 3,206.1             | 74.4  | 5,230.8           | 3,766.4             | 72.0  | 6,056.2           | 4,124.0             | 68.1  | 8,700.2           | 4,858.0             | 55.8  |
| PDBs                          | 6,300.5           | 2,649.6             | 42.1  | 7,590.6           | 3,960.7             | 52.2  | 11,491.1          | 4,930.0             | 42.9  | 15,512.1          | 5,664.1             | 36.5  | 25,234.7          | 6,775.1             | 26.8  |
| Rural Banks                   | 8,734.4           | 6,252.0             | 75.9  | 10,469.8          | 8,506.8             | 81.3  | 13,504.1          | 10,478.5            | 77.6  | 17,614.0          | 12,671.2            | 71.9  | 23,410.8          | 15,486.2            | 66.1  |
| Total                         | 422,570.2         | 109,017.5           | 25.8  | 492,191.8         | 179,618.1           | 36.5  | 638,144.4         | 188,805.1           | 29.6  | 797,904.6         | 220,724.3           | 27.7  | 1,011,565.2       | 248,887.3           | 24.6  |

<sup>a</sup> For this presentation, DBP, LBP, and PNB are included.

Chart II 2 RATIO OF PREMIUM TO INSURED DEPOSIT



INSURED DEPOSITS, PREMIUMS REMITTED, AND RATIO OF PREMIUMS TO INSURED DEPOSITS  
1991 to 1995

(Amounts in Million Pesos, Ratios in Percent)

| YEAR | Amount of Insured Deposits |                          |                   |                  | Amount of Premiums Remitted |       |      |      | Ratio of Premiums to Insured Deposit |       |      |      |
|------|----------------------------|--------------------------|-------------------|------------------|-----------------------------|-------|------|------|--------------------------------------|-------|------|------|
|      | Commercial Banks (KB)      | Government Banks (GB) a/ | Thrift Banks (TB) | Rural Banks (RB) | KB                          | GB a/ | TB   | RB   | KB                                   | GB a/ | TB   | RB   |
| 1991 | 71,114.2                   | 17,488.8                 | 14,162.7          | 6,252.0          | 240.0                       | 49.4  | 20.8 | 5.9  | 0.34                                 | 0.28  | 0.15 | 0.09 |
| 1992 | 116,662.0                  | 33,164.9                 | 21,284.4          | 8,506.8          | 251.1                       | 63.1  | 27.1 | 7.4  | 0.22                                 | 0.19  | 0.13 | 0.09 |
| 1993 | 119,844.9                  | 34,112.3                 | 24,369.4          | 10,478.5         | 671.3                       | 228.3 | 78.7 | 22.1 | 0.56                                 | 0.67  | 0.32 | 0.21 |
| 1994 | 137,581.0                  | 44,907.5                 | 25,564.7          | 12,671.2         | 827.8                       | 311.9 | 96.9 | 28.2 | 0.60                                 | 0.69  | 0.38 | 0.22 |

a/ For this presentation, DBP, LBP, and PNB are included

## Bank Supervision and Examination

In 1995, the ratio of premiums paid to total insured deposits of major government depository banks, the Land Bank of the Philippines, the Philippine National Bank and the Development Bank of the Philippines, ranged from 0.59% to 1.45%, much higher than other commercial banks' average rate of 0.69%. In view of the nature of public funds and the severe implications of being withheld from being utilized to meet the obligations of bank failures, these funds require priority in the settlement of claims. Such priority however renders continued insurance cover and premium payment debatable.

As a co-regulator with the Bangko Sentral ng Pilipinas (BSP), PDIC has been mandated to monitor banks and conduct bank examinations. In this regard, PDIC must have timely, adequate and accurate information to properly respond to the challenges of a rapidly changing banking environment. Thus, PDIC continued to feed reports from member banks into an early warning system to spot emerging problems. To improve the quality and punctuality of report submissions from member banks, PDIC is cooperating with the BSP and the Bankers Association of the Philippines (BAP) in formulating a common database.

PDIC completed 51 on-site bank examinations in 1995 intended to complement those of BSP. As such, PDIC's on-site examinations were focused on banks needing recapitalization and management strengthening. These inspections were conducted mainly to validate problems flagged in off-site monitoring. The comprehensive information gathered during on-site examinations are used to diagnose the actual problems of banks and formulate appropriate corrective measures for them to take. However, PDIC also examined healthy banks to validate accuracy of premiums paid, check integrity of reports and study particular areas of bank operation which expose them to undue risks.

In 1995, 21 banks were found to be engaged in unsafe and unsound practices and were required to immediately undertake corrective measures. When problems remain unresolved, PDIC informs the BSP of the problem to secure appropriate regulatory action on the unsafe and unsound practice or condition. This may include a recommendation for closure in cases of insolvency or for other statutory grounds. Should the bank remain in operation without rectifying its hazardous condition - in the process greatly jeopardizing the interest of the depositors - PDIC may issue a cease and desist order as a tool to enjoin a bank to undertake necessary corrective action.

Table II.1. DEPOSIT INSURANCE FUND  
(Amounts in Million Pesos)

| ITEM                                       | 1980          | 1981          | 1982           | 1983           | 1984           | 1985           | 1986            | 1987            | 1988            | 1989            | 1990            | 1991            | 1992            | 1993            | 1994            |
|--|---------------|---------------|----------------|----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Permanent Insurance Fund                   | 5 00          | 5 00          | 5 00           | 5 00           | 5 00           | 120 00         | 420 00          | 620 00          | 945 00          | 1,495 00        | 1,949 50        | 1,973 49        | 1,973 49        | 2,022 21        | 3,000 00        |
| Estimated Insurance Losses                 | 177 32        | 230 82        | 328 74         | 427 75         | 547 90         | 597 09         | 620 76          | 557 30          | 500 45          | 575 74          | 813 36          | 1,412 15        | 2,025 21        | 2,066 46        | 3,789 27        |
| Retained Earnings                          | 3 39          | 3 64          | 3 35           | 3 84           | 4 81           | 0 61           | 17 05           | 23 04           | 29 88           | 30 84           | 50 21           | 77 19           | 125 70          | 125 04          | 163 33          |
| <b>Total Insurance Reserves</b>            | <b>185 71</b> | <b>239 46</b> | <b>337 09</b>  | <b>436 59</b>  | <b>557 71</b>  | <b>717 69</b>  | <b>1,057 81</b> | <b>1,200 34</b> | <b>1,475 33</b> | <b>2,101 58</b> | <b>2,813 07</b> | <b>3,462 82</b> | <b>4,124 39</b> | <b>4,213 71</b> | <b>6,952 60</b> |
| Notes Payable - BSP *                      | 29 05         | 0             | 0              | 0              | 0              | 1,070 00       | 1,120 00        | 1,540 00        | 1,770 00        | 1,770 00        | 1,770 00        | 1,770 00        | 1,770 00        | 1 770 00        | 1,370 00        |
| <b>Total Deposit Insured</b>               | <b>82,543</b> | <b>99,753</b> | <b>120,048</b> | <b>134,644</b> | <b>150,574</b> | <b>161,949</b> | <b>176,086</b>  | <b>191,896</b>  | <b>243,265</b>  | <b>292,172</b>  | <b>363,403</b>  | <b>422,576</b>  | <b>492,192</b>  | <b>638,144</b>  | <b>797,905</b>  |
| Insurance Reserves to Insured Deposits (%) | 0 71          | 0 81          | 0 76           | 0 84           | 0 77           | 1 39           | 1 76            | 1 88            | 1 93            | 2 54            | 2 94            | 3 18            | 2 30            | 2 23            | 3 15            |
| Maximum Insurance Coverage                 | 0 015         | 0 015         | 0 015          | 0 015          | 0 040          | 0 040          | 0 040           | 0 040           | 0 040           | 0 040           | 0 040           | 0 040           | 0 100           | 0 100           | 0 100           |

\* Net of financial assistance to banks

### Restrictions on Bank Examination

For PDIC to accurately assess various risks - leverage, liquidity and credit risks - in any bank, examination of deposit records is inevitable. Review of deposit accounts is imperative, for example, when the recapitalization of a distressed bank involves conversion of deposits into capital or where there are related party loan and deposit transactions. Similarly, deposit record validation is crucial in problem banks with reciprocal deposit accounts with other problem banks or with affiliated financial institutions. At present, however, with the restrictions imposed by the Secrecy of Bank Deposits Law, PDIC is denied access to

individual deposit records, severely impairing the protection of small savers.

Examination of deposit records is all the more important when there is a likelihood of bank failure to prevent the recurrence of anomalies perpetrated by unscrupulous bankers. In many previous cases, bank management resorted to creating fictitious deposits and tampered with deposit records in anticipation of closure. Supporting documents were sometimes destroyed to avoid such frauds from being detected. All of these have contributed to severely protracted processing of insurance claims and liquidation of assets.

Table II.2. TERMINATIONS OF INSURANCE STATUS DUE TO NON PAYMENT OF INSURANCE PREMIUM  
As of December 31, 1995

| Name of Bank                        | Province          | Termination Date |          | Remarks                         |
|-------------------------------------|-------------------|------------------|----------|---------------------------------|
|                                     |                   | Effectivity      | 90th Day |                                 |
| <b>Thrift Bank:</b>                 |                   |                  |          |                                 |
| 1 Panay Thrift Bank                 | Aklan             | 7-08-94          | 10-05-94 | Closed - 11/09/94 <sup>a/</sup> |
| <b>Rural Bank:</b>                  |                   |                  |          |                                 |
| 1 RB of Greater Baloi, Inc.         | Lanao del Norte   | 1-27-93          | 4-27-93  | Not Operating                   |
| 2 RB of Masiu, Inc.                 | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 3 RB of Ganassi, Inc.               | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 4 RB of Butig, Inc.                 | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 5 RB of Pualas, Inc.                | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 6 RB of Calawi-Bacolod Grande       | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 7 RB of Ditsaan-Ramain, Inc.        | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 8 RB of Taraka, Inc.                | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 9 Islamic City of Marawi RB, Inc.   | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 10 RB of Poona-Bayabao, Inc.        | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 11 RB of Lumba-Bayabao, Inc.        | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 12 RB of Tamparan, Inc.             | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 13 RB of Mulondo, Inc.              | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 14 RB of Malabang, Inc.             | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 15 RB of Tugaya, Inc.               | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 16 RB of Lumbatan, Inc.             | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 17 Integrated RB of Binidayan, Inc. | Lanao del Sur     | 1-27-93          | 4-27-93  | Not Operating                   |
| 18 RB of Calintaan, Inc.            | Occ. Mindoro      | 3-19-93          | 6-17-93  | Closed - 05/14/93.              |
| 19 RB of Oas, Inc.                  | Albay             | 3-19-93          | 6-17-93  | Operating <sup>b/</sup>         |
| 20 RB of Roxas, Inc.                | Palawan           | 3-19-93          | 6-17-93  | Operating <sup>c/</sup>         |
| 21 RB of Lala, Inc.                 | Lanao del Norte   | 3-19-93          | 6-17-93  | Closed - 06/03/94 <sup>a/</sup> |
| 22 RB of Camalanugan, Inc.          | Cagayan           | 5-02-93          | 7-31-93  | Operating <sup>c/</sup>         |
| 23 RB of Polilio, Inc.              | Quezon            | 5-02-93          | 7-31-93  | Closed - 07/26/93               |
| 24 RB of Espiritu, Inc.             | Ilocos Norte      | 12-21-93         | 3-21-94  | Closed - 03/01/95 <sup>a/</sup> |
| 25 RB of Buug, Inc.                 | Zamboanga del Sur | 12-21-93         | 3-21-94  | Closed - 03/11/94               |
| 26 RB of Tayum, Inc.                | Abra              | 7-08-94          | 10-05-94 | Closed - 10/05/94               |
| 27 RB of Patnongon, Inc.            | Antique           | 7-08-94          | 10-05-94 | Closed - 09/28/94               |
| 28 RB of Maayon, Inc.               | Capiz             | 7-08-94          | 10-05-94 | Closed - 10/05/94               |
| 29 RB of Pontevedra, Inc.           | Capiz             | 7-08-94          | 10-05-94 | Closed - 10/05/94               |
| 30 RB of Capiz, Inc.                | Capiz             | 7-08-94          | 10-05-94 | Closed - 10/05/94               |
| 31 RB of Sara, Inc.                 | Iloilo            | 7-08-94          | 10-05-94 | Closed - 10/05/94               |
| 32 RB of Balasan, Inc.              | Iloilo            | 7-08-94          | 10-05-94 | Operating <sup>b/</sup>         |
| 33 RB of Tumauini, Inc.             | Isabela           | 1-11-95          | 4-10-95  | Operating <sup>b/</sup>         |
| 34 RB of Cabarroguis, Inc.          | Quirino           | 1-11-95          | 4-10-95  | Operating <sup>c/</sup>         |
| 35 RB of Dolores, Inc.              | Eastern Samar     | 1-11-95          | 4-10-95  | Operating <sup>c/</sup>         |

|  |           |
|--|-----------|
| Closed with insurance coverage .....                                   | 9         |
| Closed without insurance coverage <sup>a/</sup> .....                  | 3         |
| Not operating .....  | 17        |
| Operating  |           |
| with active application for reinstatement <sup>b/</sup> .....          | 3         |
| application for reinstatement considered withdrawn <sup>c/</sup> ..... | 4         |
| <b>Total</b>   | <u>36</u> |

## Management of Problem Banks

Regulators cannot guarantee a failure-free banking system. In serious cases of mismanagement or demonstrated lack of commitment by owners and directors to turn around a bank, PDIC seeks to cause the immediate closure of the bank. This is intended to avoid greater prejudice to the interests of depositors and to contain the adverse impact to the whole banking community.

However, when an investor is willing to recapitalize and rehabilitate a distressed bank, PDIC may grant financial assistance. This type of intervention is only resorted to when it is deemed less costly than closure. For 1995, the beneficiary of PDIC financial assistance was a Mindanao rural bank which was granted an incentive for merging with five other rural banks, three of which were weak. The P75 million loan incentive was granted under Module III of the Countryside Financial Institution Enhancement Program and was released in February 1995.

### Box II.1. RECIPIENTS OF PDIC FINANCIAL ASSISTANCE, 1992-1994

Since the amendment of the PDIC charter in 1992, five banks have been recipients of financial assistance under different modes:

A thrift bank, which is now renegotiating the terms of its financial assistance for an accelerated repayment scheme, was granted a P320 million ten-year loan as rehabilitation assistance in 1992. On that same year, another thrift bank, now a commercial bank, was allowed to restructure into a ten-year loan the P11.6 million PDIC subrogated claims and P1.1 million PDIC carrying cost on a closed bank which it acquired. The assisted acquisition spared PDIC the cost and effort of having to liquidate a thrift bank. The last recipient of financial assistance in 1992 was a closed commercial bank which was authorized under Republic Act 7169 to reopen and restructure into a seven-year loan its approximately P1.5 billion obligation to the government, including P83 million PDIC subrogated claims, at a very low interest rate. PDIC, through the credit line maintained for qualified rural banks which are members of Liquidity Pools, granted a P5 million liquidity assistance to a Visayas rural bank to stem its severe liquidity problem in 1993. The loan was fully repaid in 1994. Another rehabilitation assistance was packaged in 1994 through PDIC's purchase of the bank's P1.86 billion non-performing assets at a discounted price of P1.4 billion. The recipient was a commercial bank which is now undergoing rehabilitation. Under the financial assistance agreement, the bank has an unconditional obligation to buy back the assets sold to PDIC over a ten-year period.

## SETTLEMENT OF INSURED DEPOSIT CLAIMS

One of the principal mandates of PDIC is to pay depositors for insured deposits in closed banks. It is the responsibility of the Corporation to ensure that the right amount of deposits are paid to the right person and it is PDIC's aspiration to pay such amounts most promptly.

### Claims Settlement

The settlement of insured deposit claims used to be a longer process. In most cases, due to poor quality of records, large amounts of time was spent in verifying the completeness and accuracy of these records. This was exacerbated by following a claims procedure that cost money, time and inconvenience to depositors. The processing time normally took about a year from the date of bank closure (see story in Box II.2). PDIC continues to seek ways to reduce this processing period.

The Corporation reviewed its claims settlement process particularly for small deposit accounts and found that bottlenecks occurred due to the practice of requiring claimants to submit a number of documents and to travel to depository/transferee banks for payments. To address this, the Corporation has taken steps to revise the claims form and rationalize its requirements. Moreover, the takeover and examination activities were merged to shorten claims settlement to three months from date of bank closure. Further shortening of the period of claims settlement remains to be a high priority. Currently, there is an on-going review of the claims process, including efforts to ensure

maintenance of complete and accurate deposit records by all operating banks.

In 1995, PDIC paid deposit claims totaling P66.1 million for 10,511 accounts in 73 closed banks, a substantial growth of 157% and 261%, respectively, from the 1994 payments. The increase in deposit claims paid was partially attributed to the start of claims settlement operations for 13 closed banks in 1995 compared to only 6 in 1994. As experienced in the past, the volume of payments was heaviest during the early stages.

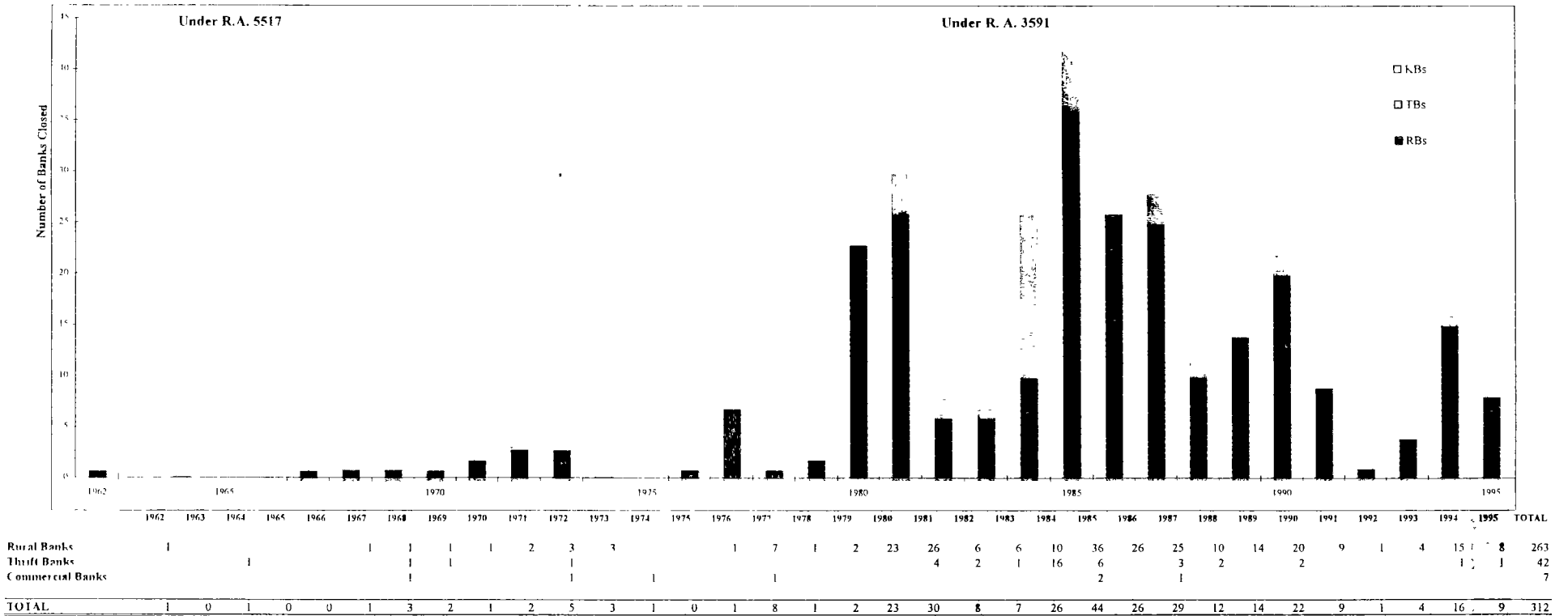
#### **Box II.2. SETTLEMENT OF INSURED DEPOSIT CLAIMS BEFORE 1995**

While PDIC was created in 1963 through R.A. No. 3591, it only became fully operational in 1969 after rules and regulations were drawn up. Up until 1989, PDIC relied on reports from the Central Bank of the Philippines (CB) Receiver relating to deposit liabilities such as the list of deposit accounts outstanding as of bank closure date, called the Masterlist of Deposits, and financial statements of the closed bank. While there were occasional deposit-related irregularities in banks closed during the period 1970 to the mid 1980's, these were not significant to cause delay in the verification process. Given the simplicity of processing, payment of insured deposits were made within an average of 2 months from date of bank closure.

However, by the mid 1980's, the increasing incidence of bank closures including a significant number of thrift banks and the increasing frequency of occurrence of irregularities, the CB Receiver took longer to prepare the masterlist. This also meant that PDIC required more extensive verification of deposit accounts. Further, while CB could increase its deputies by assigning personnel from other departments, the demand on PDIC stretched its severely limited work force, resulting in longer processing time. Consequently, the time interval of claims settlement from date of bank closure inevitably increased and took an average of 11 months.

The acquisition of computers in 1989 enhanced the capacity of the Corporation to process claims. It was in 1990 when the Corporation adopted a strategy of separating the problem accounts from non-problem accounts before claims settlement began. While the process helped in shortening the period between bank closure and claims settlement, the Corporation still could not overcome the problem on irregularities and therefore could only reduce the time for deposit verification to within nine months from date of bank closure, still considered unsatisfactory.

Chart II 3 BANK CLOSURES, 1962 - 1995



Classification of Closed Banks By Status of Claims Settlement

|  |            |
|--|------------|
| 1 Banks where claims settlement operations were conducted under R.A. 5517        | 8          |
| 2 Banks where claims settlement operations were conducted closed under R.A. 3591 |            |
| a. Banks serviced as of December 31, 1995  | 287        |
| b. Banks closed but where claims settlement operations have not yet started      | 9          |
| 3 Banks rehabilitated without claims settlement operations                       | 4          |
| 4 Banks where deposit liabilities were assumed by another bank                   | 1          |
| 5 Banks where insured status were terminated prior to closure                    | 3          |
| Total number of closed banks as of December 31, 1995                             | <u>312</u> |

Table II.3. DEPOSIT CLAIMS PAID BY PDIC THROUGH DIFFERENT PAYMENT SCHEMES

| Type of Bank/Payment Scheme | Cumulative as of December 31, 1995 |                 |                      | For the Year 1995 |                 |                      |
|-----------------------------|------------------------------------|-----------------|----------------------|-------------------|-----------------|----------------------|
|                             | No. of Banks                       | No. of Accounts | Amounts in P million | No. of Banks      | No. of Accounts | Amounts in P million |
| Commercial Banks            | 5                                  | 237,597         | 980.78               | 1                 | 768             | 2.41                 |
| Transfer Deposit Scheme     |                                    | 15,804          | 6.74                 |                   | 0               | 0.00                 |
| Direct Settlement Scheme    |                                    | 217,325         | 953.38               |                   | 0               | 0.00                 |
| PDIC Head Office Payments   |                                    | 4,468           | 20.66                |                   | 768             | 2.41                 |
| Thrift Banks                | 37                                 | 711,656         | 1,884.67             | 16                | 1,486           | 16.73                |
| Transfer Deposit Scheme     |                                    | 435,214         | 832.17               |                   | 284             | 1.11                 |
| Direct Settlement Scheme    |                                    | 272,131         | 1,017.08             |                   | 959             | 9.75                 |
| PDIC Head Office Payments   |                                    | 4,311           | 35.42                |                   | 243             | 5.87                 |
| Rural Banks                 | 245                                | 189,884         | 375.81               | 56                | 8,257           | 46.91                |
| Transfer Deposit Scheme     |                                    | 16,451          | 73.07                |                   | 5,803           | 33.73                |
| Direct Settlement Scheme    |                                    | 154,447         | 216.14               |                   | 2,041           | 9.44                 |
| PDIC Head Office Payments   |                                    | 18,986          | 86.60                |                   | 413             | 3.74                 |
| Grand Total                 | 287                                | 1,139,137       | 3,241.26             | 73                | 10,511          | 66.05                |
| Transfer Deposit Scheme     |                                    | 467,469         | 911.98               |                   | 6,087           | 34.84                |
| Direct Settlement Scheme    |                                    | 643,903         | 2,186.60             |                   | 3,000           | 19.19                |
| PDIC Head Office Payments   |                                    | 27,765          | 142.68               |                   | 1,424           | 12.02                |

## Notes:

- a The payment figures above include adjustments for undrawn checks, recording errors, etc.  
b Definitions of payment schemes are as follows:

- Transfer Deposit Scheme - PDIC designates a government transferee bank to pay claims for insured deposits on a continuing basis for a maximum of 18 months from date of bank closure (prescriptive period). Payments are done through this scheme if it is convenient to depositors.
- Direct Settlement Scheme - Claims for insured deposits are received, processed and paid by PDIC representatives at the site of the closed bank. Servicing of insured deposits under this scheme is scheduled.
- PDIC Head Office Payments - Approved claims for insured deposits are paid at PDIC in Makati City. This PDIC payment window is continuously open to depositors who choose to have their insured deposit serviced in Metro Manila rather than at the bank site or at the designated transferee bank, and those whose claims were processed and approved only after the prescriptive period.

## Recoveries of Subrogated Deposits

As of year-end, PDIC paid a total of P3.2 billion for 1.1 million deposit accounts. However, claims for 32,830 deposit accounts amounting to P179.4 million remained pending. Of these, 35% were accounts of depositors who have been duly advised of the approval of their claims but have not filed their claims, 49% were accounts verified as insured deposits with payments conditional upon proper submission of documents, and the remaining 16% were accounts which require verification of amounts and/or resolution of legal issues.

When PDIC pays depositors, it acquires their rights against the closed bank. In recovering its subrogated deposits, PDIC files claims for such deposits with the Liquidator which claims may be settled through the liquidation or rehabilitation of the closed banks.

In 1995, the Corporation recovered P163.5 million from 30 closed banks. This recovery was only 5% of the total insured deposits paid in 287 closed banks of P3.2 billion, and 7% of the total amount of claims filed with the Liquidator in 266 banks of P2.3 billion as of year-end. The bulk of these recoveries were



settlements from the rehabilitations of closed banks, 40% were paid through cash, 49% represented conversion to long-term notes receivable from a chartered bank undergoing rehabilitation, while 11% were from the distribution of assets of banks under

liquidation. Recoveries from banks under liquidation were expected to improve in the coming year once the Projects of Distribution of assets of a number of closed banks are approved by the liquidation courts.

Table II.4. PENDING CLAIMS  
As of Dates Indicated

| Status   | December 31, 1994  |                         | December 31, 1995  |                         | % to Total<br>No of Accounts |
|--|--------------------|-------------------------|--------------------|-------------------------|------------------------------|
|  | No. of<br>Accounts | Amounts<br>in P million | No. of<br>Accounts | Amounts<br>in P million |                              |
| Awaiting Claimants <sup>a/</sup>   | 11,379             | 5.06                    | 11,392             | 5.26                    | 35                           |
| Awaiting Claimants to<br>Submit Required<br>Documents <sup>b/</sup>            | 14,517             | 95.51                   | 16,056             | 96.83                   | 49                           |
| Pending Verification of<br>Amounts/Resolution of<br>Legal Issues <sup>c/</sup> | 5,899              | 75.36                   | 5,382              | 77.35                   | 16                           |
| Total  | 31,795             | 175.93                  | 32,830             | 179.44                  | 100                          |

<sup>a/</sup> Depositors duly notified of approval of their claims

<sup>b/</sup> Depositors duly notified of documentation requirements

<sup>c/</sup> Claims filed but still requiring verification.

Table II.5. PDIC RECOVERIES OF SUBROGATED DEPOSITS  
As of December 31, 1995

| PARTICULARS   | COMMERCIAL BANKS |                         | THRIFT BANKS   |                         | RURAL BANKS    |                         | TOTALS          |                         |
|---|------------------|-------------------------|----------------|-------------------------|----------------|-------------------------|-----------------|-------------------------|
|   | No of<br>Banks   | Amounts<br>in P million | No of<br>Banks | Amounts<br>in P million | No of<br>Banks | Amounts<br>in P million | No. of<br>Banks | Amounts<br>in P million |
| INSURED DEPOSITS PAID                                       | 5                | 980.78                  | 37             | 1,884.68                | 245            | 375.8                   | 287             | 3,241.26                |
| CLAIMS FILED BY PDIC FOR SUBROGATED DEPOSITS                | 4                | 129.62                  | 35             | 1,853.16                | 227            | 302.19                  | 266             | 2,284.97                |
| CLAIMS UNFILED  | 1                | 851.16 <sup>a/</sup>    | 2              | 31.52                   | 18             | 73.61                   | 21              | 956.29                  |
| RECOVERIES ON CLAIMS FILED                                  | 4                | 129.62                  | 3              | 19.96                   | 23             | 13.91                   | 30              | 163.49                  |
| Paid Through Cash   |                  |                         |                |                         |                |                         |                 |                         |
| Rehabilitated Banks   | 2                | 43.08                   | 2              | 19.75                   | 15             | 3.33                    | 19              | 66.16                   |
| Banks Under Liquidation                                     | 1                | 6.74                    | 1              | 0.21                    | 8              | 10.58                   | 10              | 17.53                   |
| Receivable  | 1                | 79.80 <sup>b/</sup>     | 0              | 0.00                    | 0              | 0.00                    | 1               | 79.8                    |
| SUBROGATED CLAIMS FILED PENDING RECOVERY                    | 0                | 0                       | 32             | 1,833.19                | 204            | 288.29                  | 236             | 2,121.48                |
| RECOVERY RATIOS   |                  |                         |                |                         |                |                         |                 |                         |
| Recoveries to Insured Deposits Paid                         |                  | 13%                     |                | 1%                      |                | 4%                      |                 | 5%                      |
| Recoveries to Claims Filed                                  |                  | 100%                    |                | 1%                      |                | 6%                      |                 | 7%                      |
| Recoveries from Rehabilitated Banks to Total Recoveries     |                  | 33%                     |                | 99%                     |                | 24%                     |                 | 40%                     |
| Recoveries from Banks Under Liquidation to Total Recoveries |                  | 5%                      |                | 1%                      |                | 76%                     |                 | 11%                     |
| Recoveries from Notes Receivables to Total Recoveries       |                  | 62%                     |                | 0%                      |                | 0%                      |                 | 49%                     |

a Subrogated Deposits against Manila Bank

b Represents the note receivable issued by Philippine Veterans Bank based on R.A. 7169

### **Box II. 3. PDIC TAKEOVER OF SIX CLOSED BANKS IN CENTRAL VISAYAS**

Panay Thrift Bank, Rural Bank of Sara (Iloilo), Inc., Rural Bank of Capiz, Inc., Rural Bank of Maayon (Capiz), Inc., and Rural Bank of Pontevedra (Capiz), Inc. were ordered closed by the MB in 1994. Prior to their closures, notices of termination of deposit insurance coverage were served by PDIC to the owners and given a grace period of 90 days to respond pursuant to the PDIC Charter. Inasmuch as the grace period had lapsed as of the date of closure of Panay Thrift Bank, its deposit liabilities were no longer insured with PDIC. In the case of the four rural banks, the same grace period had not yet lapsed by the time it was ordered closed. Hence, the deposit liabilities of the four rural banks were still insured.

The takeover of Panay Thrift Bank was effected only in 1995 but was suspended because of threats posed by its owners against the receivership team. In the case of four rural banks, their takeover was also restrained following a Court Order based on the owner's petition for nullification of the MB resolutions ordering their closure.

By force of circumstance, the case involving the Rural Bank of Sara was indefinitely suspended pending the appointment of a new presiding judge. Having determined that there was no preliminary injunction nor restraining order issued by the court prior to the suspension enjoining PDIC from proceeding with the receivership operations, PDIC decided to resume the takeover of said rural bank in 1995. The resumption of the takeover of Panay Thrift Bank was also pursued in 1995 upon finding that the threat had abated.

### **Consolidation of Field Office Sites**

In pursuit of cost-effectiveness and operational efficiency, field office sites for receivership and liquidation activities were consolidated, reducing the total number of sites to 191 as of end of 1995 (Table II.6).

Hence, the collection of loans and other receivables, property rentals and sales reached P637.3 million in 1995. This posted a significant increase of P490.0 million compared with the preceding year's total of P147.3 million. Funds generated through loan recoveries amounted to P68.9 million registering a decrease of P46.70 from last year's level. The total amount of P161.4 million realized from rentals and sales of properties posted an increase of P129.70. The bulk of the P161.4 million came from sales of real properties acquired in settlement of loans.

### **Acceleration of Termination**

In view of the delay in completing the liquidation process of closed banks to the creditors' detriment, a renewed thrust to accelerate termination was adopted in 1995 through partial termination involving distribution of liquid assets. In line with this, the PDIC Board approved the submission of the termination plans for seven banks to the Liquidation Court. This was the first batch of banks under PDIC administration to be terminated. The termination plan for one bank, the Rural Bank of Natividad (Pangasinan), Inc., has been approved by the Liquidation Court as of year-end. Selected financial data as of the cut-off dates of termination of liquidation operations in these banks are shown in Table II.8.

The PDIC Board also approved in 1995 the projects of partial distribution of available funds to creditors of Rural Bank of Tayug (Pangasinan), Inc. and Rural Bank of Villasis (Pangasinan), Inc. The distribution plans were approved in the same year by the Liquidation Court.

## RECEIVERSHIP AND LIQUIDATION

Since the amendment of RA 7400 in 1992, PDIC continues to implement the takeover of banks placed under receivership by the MB and closed banks ordered to be transferred from BSP to PDIC. As receiver and liquidator, PDIC is mandated to gather and take charge of all the assets and liabilities of closed banks and convert their assets to money for disposal to its creditors.

## Takeover of Closed Banks

By the end of 1994, there were 183 banks placed under receivership and liquidation of PDIC. It went up to 267 in 1995 as the MB ordered PDIC to take over 75 additional closed banks from BSP and issued closure orders for nine more banks (Table II.6). For one thrift bank and eight rural banks closed during the year (Table II.7), the takeover was done within two working days from receipt of the closure order. However, not all takeovers were swift. PDIC needed to face challenges to its administration of assets and liabilities of some closed banks in behalf of its creditors (see story in Box 3).

Table II.6  
REGIONAL DISTRIBUTION OF CLOSED BANKS AND OFFICE SITES  
As of December 31, 1995

| REGION       | TYPE OF CLOSED BANKS |           |            | TOTAL      | NO. OF SITES |
|--------------|----------------------|-----------|------------|------------|--------------|
|              | KB                   | TB        | RB         |            |              |
| NCR          | 1                    | 20        | 14         | 35         | 7            |
| 1            |                      | 2         | 25         | 27         | 23           |
| 2            |                      |           | 8          | 8          | 8            |
| 3            |                      | 5         | 36         | 41         | 29           |
| 4            |                      | 4         | 32         | 36         | 26           |
| 5            |                      | 1         | 28         | 29         | 21           |
| 6            |                      | 2         | 28         | 30         | 22           |
| 7            |                      | 1         | 8          | 9          | 9            |
| 8            |                      |           | 14         | 14         | 14           |
| 9            |                      |           | 8          | 8          | 5            |
| 10           |                      |           | 15         | 15         | 15           |
| 11           |                      | 1         | 12         | 13         | 10           |
| 12           |                      |           | 2          | 2          | 2            |
| <b>TOTAL</b> | <b>1</b>             | <b>36</b> | <b>230</b> | <b>267</b> | <b>191</b>   |

Table II.7  
FINANCIAL CONDITIONS OF BANKS  
PLACED UNDER RECEIVERSHIP IN 1995

| Banks                      | Closure Date | Total Assets (P) | Liabilities (P) |                       |
|----------------------------|--------------|------------------|-----------------|-----------------------|
|                            |              |                  | Total           | Deposit <sup>a/</sup> |
| Mariveles SLB (Bataan)     | 26-Jan-95    | P 16,888,244     | P 19,631,974    | P 15,707,191          |
| RB Tacloban (Leyte)        | 24-Feb-95    | 1,050,611        | 2,609,541       | 753,056               |
| RB Espiritu (Ilocos Norte) | 06-Mar-95    | 3,534,221        | 3,638,391       | 1,027,616             |
| RB Sta Maria (Pangasinan)  | 10-Mar-95    | 19,128,377       | 20,044,493      | 7,287,699             |
| RB Aringay (La Union)      | 12-May-95    | 8,787,031        | 9,751,394       | 1,873,228             |
| RB Moncada (Tarlac)        | 19-May-95    | 7,144,092        | 17,340,039      | 7,087,805             |
| RB Manabo (Abra)           | 24-Jul-95    | 5,304,019        | 6,760,950       | 934,847               |
| RB Malvar (Batangas)       | 25-Aug-95    | 1,979,378        | 8,139,937       | 5,827,436             |
| RB Marilhatag (Surigao)    | 23-Oct-95    | 2,973,641        | 4,984,429       | 1,891,528             |

<sup>a/</sup> Except for RB Espiritu the deposit liabilities of banks closed in 1995 are insured

Table II 8 PROJECTS OF DISTRIBUTION OF TERMINATED BANKS  
(Amounts in Thousand Pesos)

| Name of Bank                  | Date                |          |   |  | Assets for Distribution to Creditors                                 | Liabilities to be Settled  |
|-------------------------------|---------------------|----------|---|--|--|--|
|                               | Start of Operations | Closure  | Transfer of Liquidation from CB to PDIC | Approval of Asset Distribution by PDIC Board/Court |  |  |
| RB of Natividad (Pangasinan)  | 02-20-68            | 11-11-72 | 06-10-91                                | 08-14-95   | Liquid Assets P 84 73<br>Real Properties 108 94<br>Total P 193 67    | R&L Expenses P 246 07<br>Preferred Claims 58 97<br>Ordinary Claims 359 96<br>Total P 665 00  |
| Nation SLA (NCR)              | 09-18-68            | 03-20-81 | 12-08-92                                | 10-26-95   | Liquid Assets 176 85<br>Real Properties 106 25<br>Total 283 10       | R&L Expenses 574 03<br>Preferred Claims 4,568 65<br>Ordinary Claims 806 76<br>Total 5,949 44 |
| RB of Villasis (Pangasinan)   | 12-09-66            | 11-23-73 | 06-10-91                                | 08-18-95   | Liquid Assets 648 27<br>Real Properties 569 11<br>Total 1,217 38     | R&L Expenses 649 45<br>Preferred Claims 3 74<br>Ordinary Claims 484 56<br>Total 1,137 75     |
| RB of Tayug (Pangasinan)      | 05-01-53            | 08-08-69 | 06-10-91                                | 08-14-95   | Liquid Assets 1,872 24<br>Real Properties 1,772 68<br>Total 3,644 92 | R&L Expenses 720 67<br>Preferred Claims 16 16<br>Ordinary Claims 420 18<br>Total 1,157 01    |
| RB of Lucena City (Quezon)    | 10-28-56            | 06-15-63 | 06-10-91                                | 12-04-95   | Liquid Assets 4,352 14<br>Real Properties 677 00<br>Total 5,029 14   | R&L Expenses 897 80<br>Preferred Claims 2 056 73<br>Ordinary Claims 15 73<br>Total 2,970 27  |
| RB of Obando (Bulacan)        | 11-22-57            | 03-02-73 | 06-10-91                                | 08-18-95   | Liquid Assets 1,997 56<br>Real Properties 4,353 65<br>Total 6,351 21 | R&L Expenses 506 30<br>Preferred Claims 1,181 02<br>Ordinary Claims 496 22<br>Total 2,177 64 |
| Golden SLA (Oriental Mindoro) | 07-31-76            | 01-30-81 | 09-05-94                                | 12-14-95   | Liquid Assets 72 99<br>Real Properties 58 39<br>Total 132 38         | R&L Expenses 175 02<br>Preferred Claims<br>Ordinary Claims 527 87<br>Total 702 89            |

Notes Liquid assets are net of provisions for expenses

R&L expenses are costs of administering the receivership/liquidation of closed bank incurred either by CB/BSP or PDIC

Preferred claims paid by CB prior to transfer of liquidation to PDIC

### III. MANAGEMENT OF RESOURCES

#### CORPORATE SERVICES

##### Continuing Human Resource Development

To continuously upgrade skills and knowledge of its staff, and consistent with the Corporate belief that its people are its prime resource, PDIC has made available a three-tiered training program and other supplemental instructional activities.

The first tier of this program, the Basic Training Courses, provides orientation to all new employees on the values of the Corporation, its organization and functions as well as equipping them with basic analytical tools and skills germane to the operations of the Corporation. The second tier was designed to deepen their skills in functional areas. The last tier was aimed at broadening the career opportunities of employees under the Program ADVANCE (Action to Develop Versatile and Competent Employees). Through this exchange program, employees from different centers were reassigned to the Management Control Office and were exposed to the audit of the Corporation's operations.

To build institutional capability for training, PDIC has gradually taken over some programs which used to be contracted out. This has the added advantage of easy adaptability to the changing needs of the Corporation. In the process, the Corporation was able to conduct 17 in-house programs. In-house staff development programs were complemented by training and scholarships from both local and foreign sources granted to 146 qualified personnel in 1995 from 141 in 1994.

As a supplement to formal trainings, the Corporation periodically held a forum called INTERACT (Information on Topics, Efforts and Relevant Action on Current Trends) to share information and knowledge of resource speakers from the academe, banking, private and government sectors in interactive discussion of various subjects with PDIC staff. In 1995, ten sessions were conducted, with topics ranging from yoga to banking. PDIC also circulated the Intercom, the official quarterly newsletter, to provide updates on corporate issues and developments.

##### Enhancing Inter-Personal Relations

PDIC believes that a harmonious working relationship among employees facilitates the achievement of a shared objective. Towards this end, team building workshops were conducted, addressing how employees can better work together, encouraging them to become more open with their ideas and providing experiential learning on communication techniques.

Among employees, activities like fund raising for charity and the conduct of a sportsfest through the Philippine Deposit Insurance Corporation Employees' Organization (PHILDICEO) were initiated.

##### Campaign for Savings Mobilization

Recognizing the importance of savings to sustain current economic growth, a savings consciousness program was initiated in July 1995. An on-the-spot painting contest among the youth was launched for all public high school students in the National Capital Region. The theme, "Hamon sa Kabataan Mag-impok Tungo sa Kaunlaran" aimed to underscore the importance of the habit of saving during the youth's formative period. Fifty finalists were selected from about 400 participants from 149 public high schools who underwent the elimination process. The fifty finalists were all invited to compete at the Glorietta where 14 winners were proclaimed and awarded cash prizes in the form of new deposit savings accounts. The winning entries were exhibited in various public venues throughout the year, featured in the 1996 PDIC calendar, and are being considered as thrift stamp issues. Among the sponsors of the contest were member banks and establishments. The grand prize went to Jerry R. Maninang of Navotas High School with his painting entitled "Balikatan".

##### Support to the Cooperative Movement

Prudently and professionally managed cooperatives have proven to be potent vehicles for attaining economic development and social justice for the low-income groups. With resources and expertise in banking and financial management, PDIC has extended assistance to cooperatives primarily towards the strengthening of their professional management.

Table III 1. PDIC TRAININGS AND SEMINARS

| Course/Studies                     | Frequency |      | No of Participants |      |
|------------------------------------|-----------|------|--------------------|------|
|                                    | 1994      | 1995 | 1994               | 1995 |
| I. First Tier                      |           |      |                    |      |
| A In-house                         |           |      |                    |      |
| 1 Foundation Course                | 1         | 2    | 60                 | 94   |
| 2 Basic Banking Operations Course  | 2         | 3    | 70                 | 93   |
| 3 Bank Accounting                  | 2         | 3    | 54                 | 107  |
| 4 Financial Analysis               | -         | 2    | -                  | 105  |
| SUB-TOTAL                          | 5         | 10   | 184                | 399  |
| II Second Tier                     |           |      |                    |      |
| A. In-house                        |           |      |                    |      |
| 1 Bank Examination Course          | 1         | 1    | 28                 | 38   |
| 2. Claims                          | 1         | 1    | 16                 | 31   |
| 3 Property Management              | 1         | -    | 14                 | -    |
| 4 Receivership & Liquidation       | 1         | 1    | 29                 | 18   |
| SUB-TOTAL                          | 4         | 3    | 87                 | 87   |
| III. Third Tier                    |           |      |                    |      |
| A In-house                         |           |      |                    |      |
| 1 Effective Business Writing       | 1         | 3    | 21                 | 104  |
| 2 Effective Writing for Executives | 2         | 1    | 58                 | 32   |
| 3 Effective Writing for Auditors   | 1         | -    | 35                 | -    |
| SUB-TOTAL                          | 4         | 4    | 114                | 136  |
| IN-HOUSE TOTAL                     | 13        | 17   | 385                | 622  |
| B Off-house                        |           |      |                    |      |
| 1 Other Local Trainings            | 81        | 81   | 137                | 138  |
| 2 Foreign Trainings                | 2         | 5    | 4                  | 8    |
| OFF-HOUSE TOTAL                    | 83        | 86   | 141                | 146  |
| <b>GRAND TOTAL</b>                 | 96        | 103  | 526                | 768  |

PDIC assisted the National Confederation of Cooperatives (NATCCO) in establishing the Cooperative Deposit Guarantee Fund (CDGF) that would encourage savings and financial discipline among member cooperatives and enhance financial resource mobilization. PDIC likewise participated in the design and conduct of trainings for NATCCO's prospective members in preparation for the operationalization of the CDGF by 1996.

There were other trainings conducted by PDIC which aimed to strengthen the management capabilities of weak cooperative banks. This task was deemed critical in the promotion and preparation of cooperative banks in the context of the highly competitive state of the banking industry. PDIC also took part in the Countryside Financial Institution Management Development Program where 29 cooperative banks participated. The program dealt on strengthening the banks in the areas of credit process, internal control and operations management.

### **Concern for the Less Privileged and the Environment**

The social commitment of PDIC staff found expression in sponsoring scholarships for out-of-school youth, extending financial assistance to the lower segments of society, and giving relief goods to disaster victims. The Corporation, on the other hand, matched the contribution of staff for these beneficiaries. Aside from cash, PDIC also donated its recyclable paper to Caritas Manila for making handicrafts.

Out of concern for the preservation of the environment, a tree planting ceremony was held at the main street of Tuktukan, Taguig. The event capped the Corporation's anniversary celebration in 1995. This was led by PDIC President Ernest Leung and Taguig Mayor Isidro Garcia.

### **Corporate Campaign for Cost Effectiveness**

A cost effectiveness committee was established in 1995 to heighten sensitivity to cost and eliminate wasteful operations. The committee reviewed the employee health maintenance and security contracts including periodical subscriptions and introduced the multi-year type of agreements with service contractors. The review of deployment for janitors and security guards resulted in a reduction of janitors and guards and provided annual savings of P471,301. Negotiations with GSIS yielded reductions in premiums from

P867,000 in 1994 to P463,000 in 1995. A more rigorous process was adopted in the preparation of the 1996 budget where requirements proposed by the various centers were subjected to more intensive analysis. Moreover, procurement of additional major cost items was continuously reviewed and rationalized. For an amount originally intended for only 60 computer units, PDIC was able to negotiate for the purchase of 92 computer units with more power.

A waste management program was also adopted during the year. Initial activities included the holding of lecture-series on waste management and other environmental issues. Ecology tours of model projects were conducted to view actual samples of benefits derived from a good waste management program.

## **FINANCIAL RESOURCE MANAGEMENT**

Funds primarily come from assessment premiums, investment maturities, income from investments and repayments from financial assistance. Uses of funds, on the other hand, include operating expenses as well as the requirements of closed banks with inadequate or no resources, accrued interest on borrowing from the BSP, claims for insured deposits and financial assistance to distressed banks. Given the nature of the sources of funds which is predictable but chunky, management of financial resources has been refined to consider this structure. Periodic analyses of funding requirements is undertaken and resources not used for operations are fully invested.

### **Strategic Cash Flow Management**

Total expenses in 1995 amounted to P192 million or a monthly average of P16 million. The Corporation managed to maintain an average daily working balance of not more than P500,000, a figure lower than the average daily expenditures. This lower level of liquidity was augmented by a Domestic Bills Purchase Line with the Land Bank of the Philippines and tighter cash flow planning. To meet the less predictable requirements such as payment of claims for insured deposits, investments were made in short-term government securities with weekly maturities.

### **Shift to Long-Term Investments**

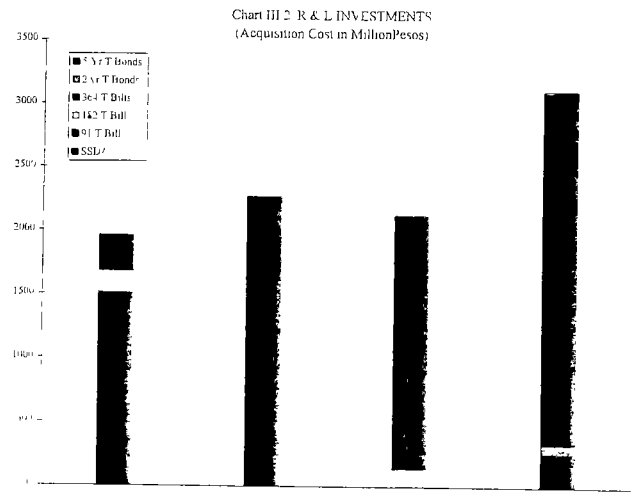
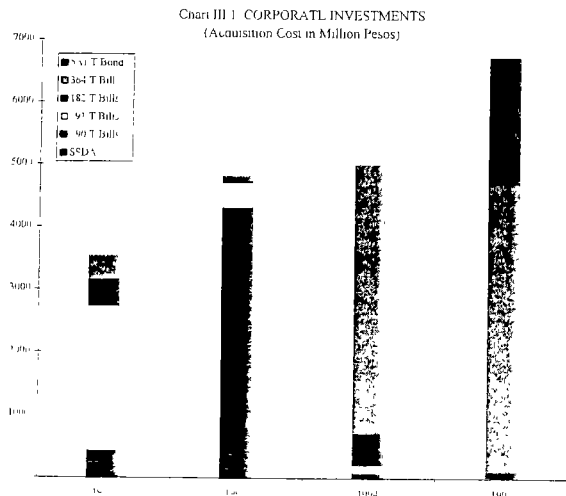
Beginning in 1994, investments were shifted from short-term to primarily 364-day Treasury Bills in order to improve yields by as much as 200 basis points.

In 1995, PDIC maximized the deployment of resources towards longer tenors of two and five years. The same investment strategy was used for receivership and liquidation (R&L) investible funds as shown in the graph on R&L placements.

PDIC peso investments increased by 38.8% from P4.8 billion in 1994 to P6.7 billion in 1995. Correspondingly, income from these investments (net of taxes) increased by P105 million or 17.1% from P621 million in 1994 to P726 million in 1995. Likewise, peso investments of banks under R&L increased by 44.1%

from P2.2 billion in 1994 to P3.1 billion in 1995. These investments yielded a return on investments (ROI) of 12% for PDIC and 10.8% for the latter.

Opportunities were also pursued in the international market by taking advantage of Brady Bond discounts through investments in PAR Bonds. The total face amount of PAR bonds as of year-end was US\$8 million for PDIC and US\$2 million for R&L, acquired at an average discount rate of 40.52% and 42.5%, respectively.



| YPT         | Amount | % Disc. | Amount | % Disc. | Amount | % Disc. | Amount | % Disc. |
|-------------|--------|---------|--------|---------|--------|---------|--------|---------|
| SSD         | 232    | 0.0     | 430    | 89      | 79     | 14      | -      | -       |
| 5-yr T-Bond | 170    | 4.8     | -      | -       | 79     | -       | 79     | 1.0     |
| 364 T-Bill  | 2340   | 0.4     | 391    | 0.2     | 140    | 2.8     | -      | -       |
| 182 T-Bill  | 407    | 11.4    | -      | -       | 454    | 0.7     | -      | -       |
| 91 T-Bill   | 79     | -       | 100    | -       | 220    | -       | 4,637  | 66.9    |
| SSD T-Bond  | -      | -       | -      | -       | -      | -       | 2,023  | 30.1    |
| Total       | 2,522  | 100.0   | 4,801  | 100.0   | 4,986  | 100.0   | 6,730  | 100.0   |

1. Special Savings Deposit Account

| YPT         | Amount | % Disc. | Amount | % Disc. | Amount | % Disc. | Amount | % Disc. |
|-------------|--------|---------|--------|---------|--------|---------|--------|---------|
| SSD         | 249    | 1.0     | 1,210  | 75.0    | -      | -       | -      | -       |
| 5-yr T-Bill | 117    | 2.7     | 11,497 | 46.4    | -      | -       | -      | -       |
| 364 T-Bill  | 182    | 3.3     | -      | -       | 1,353  | 6.4     | -      | -       |
| 182 T-Bill  | 255    | 14.2    | -      | -       | 1,984  | 95.0    | 252    | 3.1     |
| 91 T-Bill   | -      | -       | -      | -       | -      | -       | 86     | 2.6     |
| SSD T-Bond  | -      | -       | -      | -       | -      | -       | 2,775  | 89.5    |
| Total       | 1,957  | 100.0   | 2,250  | 100.0   | 2,110  | 100.0   | 3,108  | 100.0   |

## INFORMATION TECHNOLOGY

In order to monitor compliance with sound banking practices, PDIC periodically collates, processes and analyzes data from reports of member banks. It also processes insured deposit claims and administers the receivership/liquidation of closed banks. These involve large but random flow of data requiring backup systems to ensure efficiency in services. To carry out these operations, an effective information technology management is necessary.

## Keeping Pace with Technology

Constant skills upgrading is undertaken in recognition of the need for appropriate computer hardware and software for PDIC's data processing operations managed by a computer literate workforce. The hardware strategy now puts greater emphasis on keeping up with emerging technologies. The software strategy shifted from in-house development to acquisition of off-the-shelf and customized packages, precipitated by improvements in features and flexibility of commercial software.



With the growing demands of electronic transmission within the Corporation, a network for sharing information was expanded. In 1995, PDIC linked up with RPNET, a local Internet service provider, to have its data available in the information superhighway. Through this service, periodic information consisting of regulatory issuances, bank performance indicators, research studies on banking, and PDIC information series are made available to the public. These can be accessed for free by INTERNET users through the address: <http://pdx.rpnet.com>. Additional information is also provided upon request through the e-mail address: [pdic@pdx.rpnet.com](mailto:pdic@pdx.rpnet.com).

## PUBLIC INFORMATION AND SERVICE

### Assistance to Bank Clients

PDIC receives complaints and requests for assistance and information primarily from the depositing public and borrowers of closed banks through the Depositors Assistance Bureau. In 1995, PDIC processed 62 cases involving both closed and operating banks. Of these, 24 cases were related to claims and loans settlement from closed banks and 30 cases related to operating banks such as unserviced withdrawals and unexplained service charges. The rest were inquiries on various issues covering bank services. A number remain pending, awaiting action of the Monetary Board or completion of documentation requirements by the depositors or borrowers themselves.

Table III.2 CASES FILED WITH THE DEPOSITORS ASSISTANCE BUREAU

|   | Resolved | Pending         | Total |
|---|----------|-----------------|-------|
| Closed Banks  |          |                 |       |
| 1 Claims-related  |          |                 |       |
| - inquiries on claims settlement procedures   | 2        |                 | 2     |
| - follow-up on claims already filed   | 2        | 5 <sup>a</sup>  | 7     |
| 2 Loans-related   |          |                 |       |
| - settlement/condonation of loans made by borrower                                      | 1        | 12 <sup>a</sup> | 13    |
| - contestation of loans allegedly not filed with banks                                  |          | 2 <sup>b</sup>  | 2     |
| Sub-total   | 5        | 19              | 24    |
| Operating Banks   |          |                 |       |
| 1 Savings/time deposit  |          |                 |       |
| - Unserved withdrawals with distressed banks  | 4        | 12 <sup>c</sup> | 16    |
| 2 ATM savings account   |          |                 |       |
| - Unexplained service charges, unauthorized withdrawals and mechanical capture of cards | 14       |                 | 14    |
| Sub-total   | 18       | 12              | 30    |
| Others  |          |                 |       |
| 1 Inquiries on deposit insurance coverage   | 4        |                 | 4     |
| 2 Inquiries on dormant accounts with operating banks                                    | 3        |                 | 3     |
| 3 Inquiries re availment of loans with operating banks                                  | 1        |                 | 1     |
| Sub-total   | 8        | -               | 8     |
| TOTAL   | 31       | 31              | 62    |

<sup>a</sup> Subject to compliance with documentation requirements

<sup>b</sup> No response from borrowers after initial reply by PDIC

<sup>c</sup> Distressed banks not yet ordered closed by the Monetary Board

### Dissemination of Public Information

As part of its public information program, the Corporation continued to generate information materials on deposit insurance and receivership and liquidation of closed banks.

In 1995, PDIC published flyers on *Major Amendments to the PDIC Charter* which briefly describes the revised provisions of the Charter. The flyer on *Depositors Rights* outlines the basic rights and services due the depositors together with practical tips in opening savings deposit and ATM accounts.

After its temporary suspension in late 1994, PDIC reissued *Communique*, a semestral publication providing insightful perspectives on the banking industry. The 1995 issue featured the impact of the banking crisis in the 1980s and how it led to reforms in deposit insurance and PDIC's mandate. It also included views on specialized risk management activities of the Corporation and a scenario of its role in the banking industry in reshaping itself to remain relevant and responsive.

As part of its information dissemination function, briefing sessions on rules and regulations governing deposit insurance coverage, premium remittance and reportorial requirements were conducted for 23 newly opened banks. PDIC officers also actively participated in rural bank federation meetings and were resource speakers in the BSP-sponsored Basic Rural Banking Course. PDIC's involvement in these undertakings opened avenues to interact with member rural banks and exchange views with BSP as a way of strengthening ties and enhancing cooperation.

## LEGAL AFFAIRS

In providing protection to the depositing public, the Corporation must ensure that it adopts policies and operates consistently with its mandate. The Legal Affairs Sector carries out this task, including rendering judgment in the interpretation of statutory rules and regulations consonant with law.

### Legal Services

In support of the Corporation's objective to pay claims of depositors in the shortest time possible and at the least cost to them, corporate policies towards streamlining of services were adopted consistent with legal processes and sensitivity to corporate needs. Claims forms were simplified. Issues affecting corporate operations as in drafting contracts and preparation of legal documents relative to the issuance of legal opinions were resolved. In 1995, a total of 212 opinions were rendered and 409 legal documents prepared.

#### Box III.1. SOME LEGAL BATTLES OF PDIC IN 1995

The Corporation suffered a setback when the Supreme Court dismissed its petition as Liquidator of the Pacific Banking Corporation (PaBC) affirming the findings of the trial court ordering the Liquidator to return the equity investment holdings of the bank's Singaporean shareholders even prior to the payment of preferred creditors, in contravention of basic principles and statutory provisions in commercial law. Unfortunately, in upholding procedural rules over substantive law, the decision sets a bad precedent. It denigrates the government's State responsibility towards its own nationals in granting more protection to foreign shareholders over the Filipino shareholders and guaranteed the right to recover equity holdings in foreign exchange<sup>v</sup>. Nonetheless, there remains a prospect that the Supreme Court may change its stand considering the pendency of the Corporation's motion for reconsideration.

In another case, PDIC, through the assistance of the PNP Camarines Sur Provincial Command, initiated and caused the arrest in Naga City of an owner of seven closed rural banks in the Bicol Region together with his sister, also an official of a closed bank, based on a verdict of conviction for multiple counts of misappropriation of bank funds. The arrest of the accused, who were fugitives of justice, made possible the promulgation of another verdict of conviction against them involving another closed bank. Otherwise archived criminal actions against both accused were revived, with trial proceedings presently resumed. Both parties remain under detention at the local penal colony in Camarines Sur.

<sup>v</sup> President, PDIC v. Gonzalo Sy, S.C. G.R. No. 11291. The motion for reconsideration against this Resolution is still pending with the Supreme Court.

## **Litigation**

Despite a small complement of lawyers, 1,738 cases in various stages of litigation were handled, 119 by in-house litigation lawyers. Ninety four (94) cases were terminated during the year.

Assistance was sought from the Office of the Government Corporate Counsel relative to cases involving the Corporation as insurer or regulator; the National Prosecution Services through the Regional State prosecutors with respect to special proceedings, and prosecutors involving bank fraud cases and other offenses punishable under penal laws. Private lawyers were engaged by the Corporation as liquidator for closed banks on a case-to-case basis by reasons of expediency and economy. In the latter instance, a system of accreditation of lawyers was adopted. As of December 1995, 13 out of the 29 law firms/lawyers accredited by the Corporation nationwide were actively handling civil cases.

Investigations concerning suspected fraud irregularities committed in the open and closed banks were likewise conducted. In 1995, 92 cases relating to frauds and/or anomalous transactions, background investigation of applicants, suppliers, rehabilitators of closed banks, including credit investigations on borrowers were completed in support of operations, the conduct of whereabouts and property checks, in addition to verification of court cases relevant to certain issues, were also performed

## **INTERNAL AUDIT**

The Management Control Office (MCO) monitors the activities of the Corporation in providing effective and efficient services with proper accountability for resources utilized. Timely feedback to management is its principal focus

### **Expansion of Coverage**

As a result of the reorganization in 1992, the former Acquired Assets Management Office tasked with reviewing disposal of assets of closed banks was transformed into the Operations Control Office (OCO) with added responsibility of performing audits of receivership and liquidation operations. The strategy then for having two separate audit units (the MCO and the OCO) was in consideration of the magnitude of corporate operations and the receivership and

liquidation function. Further, guidelines governing the former stressed on accountability of public funds which greatly differed from the latter which was covered by audit rules on private enterprise.

After almost three years of operations of the OCO, the staff complement could barely meet the increasing demands particularly during the transfer of closed banks from BSP to PDIC. The Corporation also noted the need for continuity of audit reviews because of the inevitable relationship of the administration of closed banks with management of corporate resources. Thus in July 1995, MCO's function was expanded to assume the audit responsibilities of OCO.

### **Continuing Reviews and Liaison**

Crucial to the ability of the Corporation to attain its objective is a common appreciation of goals and standards. The understanding of such was enhanced through close monitoring and review of operating manuals by the MCO. Further, continuing liaison with the Commission on Audit was maintained to get assurance that management decisions and operations conform with government guidelines.

Notwithstanding the handicap on manpower, audit reviews conducted during the year resulted in better understanding of controls, operational efficiency and service excellence. Further, the reviews continued to reinforce awareness for, as well as provide feedback on the attainment of departmental and corporate goals

## IV. FINANCIAL PERFORMANCE

### Results of Operations

With prudent management of operations, the Corporation continued to improve its financial position. Gross income increased by 20.7% from P2.17 billion in 1994 to P2.62 billion in 1995. The growth was primarily due to a higher assessment premium collection as total deposits in the banking system grew by 26% during the same period. Income from investments likewise increased by 14.4%. However, the peso component of investment income did not grow as much for two reasons: first, interest rates for 91-day T-bill were reduced from 13.6% in 1994 to 11.3% in 1995, and second, investible funds decreased due to payment of interest on BSP loans. For dollar placements, yields rose to 163% over last year's levels primarily due to income from Brady bonds.

Other income was derived from financial assistance for bank rehabilitation, administrative fees from management of closed banks and from other miscellaneous sources. This accounted for the balance of P110.5 million in 1995 which dropped by P0.6 million from 1994. The decrease was attributed to the full repayment of outstanding loans by two banks in 1994.

Total expenses grew by 20.2% to P2.6 billion in 1995. Around 80% of this amount was set aside as provision for insurance losses. This was a significant build-up in reserves over the last three years and brought it closer to the Corporation's estimated potential losses based on analysis of the risk of bank failures.<sup>a</sup> Operating expenses for 1995 at P207 million was P77 million higher than last year's. This was caused by increased number of personnel coupled with adjustments in salaries and other benefits, adjustments in Provident Fund, broadened base of medical insurance coverage, and additional provision for uncollectible accounts. Consequently, expenditures for personal services increased by 51.8% to P112 million. Maintenance and other operating expenses, however, decreased by 6.4% to P50 million as the Corporation pursued cost-effectiveness measures in property insurance, supplies and materials, and utilities.

Net income for the year amounted to P22.7 million, more than twice that of last year's P10.1 million. As a result, the Corporation will remit P11.4 million in dividends to the National Treasury by 1996.

### Financial Position

The year was highlighted by an increase of 23.9% in the Corporation's consolidated assets now at P10.9 billion. This was traced to higher revenues and additional loans granted by BSP to PDIC for financial assistance to rural banks. Its largest component was current assets amounting to P5.4 billion which was composed primarily of short-term investments and interest receivables from investments. Other financial assets were deployed in long-term investments through holdings in Brady Bonds and Treasury Notes and financial assistance to distressed banks. As of year-end, total fixed assets was 1.6% lower than 1994 base because of increased deductions for accumulated depreciation. Other assets of the Corporation were likewise lower than last year's balance primarily due to increase in allowances for doubtful accounts.

Total liabilities was estimated to be P7.7 billion in 1995, 36.5% higher than last year's record. In spite of lower current liabilities because of loan payments to BSP, the dramatic rise in provisions for insurance losses led to an overall increase. Long term liabilities slightly increased by 9.9% with the release from BSP of a P150 million loan maturing in 1998 as financial support to promote the merger of rural banks. Other liabilities rose by 36.6% from P26.0 million to P35.5 million as more provisions for retirement of employees were added.

Retained earnings increased to P202.6 million as of year-end, higher than last year by 24.1%. The balance of the Deposit Insurance Fund reached P3.2 billion as of December 31, 1995 which approximated its 1994 level.

<sup>a</sup> The PDIC letter to COA dated 24 August 1995 (see 1994 PDIC Annual Report) explains the procedure followed in estimating PDIC's potential losses for bank failures.

## FINANCIAL HIGHLIGHTS

(In Thousand Pesos)

|  | Years Ended December 31 |                  |                  |                  |                   | Increase(Decrease) 94-95 |               |
|--|-------------------------|------------------|------------------|------------------|-------------------|--------------------------|---------------|
|  | 1991                    | 1992             | 1993             | 1994             | 1995              | Amount                   | %             |
| <b>INCOME</b>                              |                         |                  |                  |                  |                   |                          |               |
| Assessment Income                          | 316,111                 | 348,600          | 1,000,456        | 1,264,846        | <b>1,601,650</b>  | 336,804                  | 26.6%         |
| Income from Investments (inclusive of tax) | 754,316                 | 712,323          | 569,502          | 798,236          | <b>912,781</b>    | 114,545                  | 14.3%         |
| Other Income                               | 152,802                 | 151,310          | 124,624          | 111,108          | <b>110,504</b>    | (604)                    | -0.5%         |
| <b>Gross Income</b>                        | <b>1,223,229</b>        | <b>1,212,233</b> | <b>1,694,582</b> | <b>2,174,190</b> | <b>2,624,935</b>  | <b>450,745</b>           | <b>20.7%</b>  |
| <b>EXPENSES</b>                            |                         |                  |                  |                  |                   |                          |               |
| Provision for Insurance Losses             | 662,386                 | 670,681          | 1,189,536        | 1,735,938        | <b>2,094,713</b>  | 358,775                  | 20.7%         |
| Operating Expenses                         | 64,278                  | 86,025           | 115,743          | 129,905          | <b>206,560</b>    | 76,655                   | 59.0%         |
| Interest Expense on Borrowings from BSP    | 330,472                 | 332,839          | 268,351          | 129,285          | <b>139,350</b>    | 10,065                   | 7.8%          |
| Tax Expense on Investment Income           | 149,613                 | 100,623          | 112,123          | 168,974          | <b>161,602</b>    | (7,372)                  | -4.4%         |
| <b>Total Expenses</b>                      | <b>1,206,749</b>        | <b>1,190,168</b> | <b>1,685,753</b> | <b>2,164,102</b> | <b>2,602,225</b>  | <b>438,123</b>           | <b>20.2%</b>  |
| <b>NET INCOME</b>                          | <b>16,480</b>           | <b>22,065</b>    | <b>8,829</b>     | <b>10,088</b>    | <b>22,710</b>     | <b>12,622</b>            | <b>125.1%</b> |
| <b>TOTAL ASSETS</b>                        | <b>7,028,388</b>        | <b>7,767,280</b> | <b>7,686,887</b> | <b>8,821,083</b> | <b>10,925,977</b> | <b>2,104,894</b>         | <b>23.9%</b>  |
| <b>TOTAL LIABILITIES</b>                   | <b>4,976,667</b>        | <b>5,667,023</b> | <b>5,538,589</b> | <b>5,656,682</b> | <b>7,722,347</b>  | <b>2,065,664</b>         | <b>36.5%</b>  |
| <b>DEPOSIT INSURANCE FUND</b>              | <b>2,050,676</b>        | <b>2,099,186</b> | <b>2,147,249</b> | <b>3,163,329</b> | <b>3,202,621</b>  | <b>39,292</b>            | <b>1.2%</b>   |
| Permanent Insurance Fund                   | 1,973,488               | 1,973,487        | 2,022,212        | 3,000,000        | <b>3,000,000</b>  | 0                        | 0.0%          |
| Retained Earnings                          | 77,188                  | 125,699          | 125,037          | 163,329          | <b>202,621</b>    | <b>39,292</b>            | <b>24.1%</b>  |
| <b>ESTIMATED INSURANCE LOSSES</b>          | <b>1,412,149</b>        | <b>2,025,208</b> | <b>2,066,459</b> | <b>3,786,206</b> | <b>5,848,173</b>  | <b>2,061,967</b>         | <b>54.5%</b>  |

COMPARATIVE STATEMENTS OF CONDITION

(In Thousand Pesos)

|   | Years Ended December 31 |                  |                  |                  |                   | Increase(Decrease) 94-95 |                |
|---|-------------------------|------------------|------------------|------------------|-------------------|--------------------------|----------------|
|   | 1991                    | 1992             | 1993             | 1994             | 1995              | Amount                   | %              |
| <b>ASSETS</b>   |                         |                  |                  |                  |                   |                          |                |
| <b>Current Assets</b>   |                         |                  |                  |                  |                   |                          |                |
| Cash on Hand and In Banks (Note 2)                                      | 3,383                   | 1,021            | 2,750            | 4,516            | 10,794            | 6,278                    | 139.0%         |
| Short Term Investments (Note 3)   | 3,382,214               | 3,602,029        | 4,814,303        | 4,911,231        | 4,748,875         | (162,356)                | -3.3%          |
| Interest Receivable from Investments                                    | 870                     | 177,494          | 11,772           | 431,804          | 573,856           | 142,052                  | 32.9%          |
| Other Current Assets (Note 4)   | 31,852                  | 37,582           | 80,997           | 81,372           | 87,928            | 6,556                    | 8.1%           |
| <b>Total Current Assets</b>   | <b>3,418,319</b>        | <b>3,818,126</b> | <b>4,909,822</b> | <b>5,428,923</b> | <b>5,421,453</b>  | <b>(7,470)</b>           | <b>-0.1%</b>   |
| <b>Long Term Investments</b>  |                         |                  |                  |                  |                   |                          |                |
| Philippine Government Dollar Bonds                                      | 0                       | 0                | 0                | 102,895          | 128,266           | 25,371                   | 24.7%          |
| Treasury Notes  | 0                       | 0                | 0                | 0                | 2,023,031         | 2,023,031                | -              |
| <b>Total Long Term Investments</b>                                      | <b>0</b>                | <b>0</b>         | <b>0</b>         | <b>102,895</b>   | <b>2,151,297</b>  | <b>2,048,402</b>         | <b>1990.8%</b> |
| <b>Financial Assistance to Banks and Claims Receivable</b>              |                         |                  |                  |                  |                   |                          |                |
| Outstanding Loans On Financial Assistance (Note 5)                      | 869,513                 | 1,185,734        | 1,239,374        | 1,731,373        | 1,812,833         | 81,460                   | 4.7%           |
| Subrogated Claims Receivable - net of Allowance for Losses (Note 6)     | 2,659,682               | 2,577,193        | 1,311,301        | 1,296,504        | 1,288,141         | (8,363)                  | -0.6%          |
| <b>Total Financial Assistance and Claims Receivable</b>                 | <b>3,529,195</b>        | <b>3,762,927</b> | <b>2,550,675</b> | <b>3,027,877</b> | <b>3,100,974</b>  | <b>73,097</b>            | <b>2.4%</b>    |
| <b>Fixed Assets (Note 7)</b>  | <b>68,606</b>           | <b>159,165</b>   | <b>192,427</b>   | <b>178,740</b>   | <b>175,967</b>    | <b>(2,773)</b>           | <b>-1.6%</b>   |
| <b>Other Assets (Note 8)</b>  | <b>12,268</b>           | <b>27,062</b>    | <b>33,963</b>    | <b>82,648</b>    | <b>76,286</b>     | <b>(6,362)</b>           | <b>-7.7%</b>   |
| <b>TOTAL ASSETS</b>   | <b>7,028,388</b>        | <b>7,767,280</b> | <b>7,686,887</b> | <b>8,821,083</b> | <b>10,925,977</b> | <b>2,104,894</b>         | <b>23.9%</b>   |
| <b>LIABILITIES, DEPOSIT INSURANCE FUND AND CONTINGENT SURPLUS</b>       |                         |                  |                  |                  |                   |                          |                |
| <b>LIABILITIES</b>  |                         |                  |                  |                  |                   |                          |                |
| Current Liabilities (Note 9)  | 802,887                 | 875,511          | 925,344          | 323,506          | 167,712           | (155,794)                | -48.2%         |
| Long Term Liabilities (Note 10)   | 2,750,000               | 2,750,000        | 2,525,000        | 1,521,000        | 1,671,000         | 150,000                  | 9.9%           |
| Estimated Insurance Losses (Note 11)                                    | 1,412,149               | 2,025,208        | 2,066,459        | 3,786,206        | 5,848,173         | 2,061,967                | 54.5%          |
| Other Liabilities (Note 12)   | 11,631                  | 16,304           | 21,786           | 25,970           | 35,462            | 9,492                    | 36.6%          |
| <b>TOTAL LIABILITIES</b>  | <b>4,976,667</b>        | <b>5,667,023</b> | <b>5,538,589</b> | <b>5,656,682</b> | <b>7,722,347</b>  | <b>2,065,664</b>         | <b>36.5%</b>   |
| <b>DEPOSIT INSURANCE FUND</b>   |                         |                  |                  |                  |                   |                          |                |
| Permanent Insurance Fund  | 1,973,488               | 1,973,487        | 2,022,212        | 3,000,000        | 3,000,000         | 0                        | 0.0%           |
| Retained Earnings   | 77,188                  | 125,699          | 125,037          | 163,329          | 202,621           | 39,292                   | 24.1%          |
| <b>TOTAL DEPOSIT INSURANCE FUND</b>                                     | <b>2,050,676</b>        | <b>2,099,186</b> | <b>2,147,249</b> | <b>3,163,329</b> | <b>3,202,621</b>  | <b>39,292</b>            | <b>1.2%</b>    |
| <b>CONTINGENT SURPLUS</b>   | <b>1,045</b>            | <b>1,071</b>     | <b>1,049</b>     | <b>1,072</b>     | <b>1,009</b>      | <b>(62)</b>              | <b>-5.8%</b>   |
| <b>TOTAL LIABILITIES, DEPOSIT INSURANCE FUND AND CONTINGENT SURPLUS</b> | <b>7,028,388</b>        | <b>7,767,280</b> | <b>7,686,887</b> | <b>8,821,083</b> | <b>10,925,977</b> | <b>2,104,894</b>         | <b>23.9%</b>   |

COMPARATIVE STATEMENTS OF INCOME AND RETAINED EARNINGS

(In Thousand Pesos)

|  | Years Ended December 31 |                  |                  |                  |                  | Increase(Decrease) 94-95 |               |
|--|-------------------------|------------------|------------------|------------------|------------------|--------------------------|---------------|
|  | 1991                    | 1992             | 1993             | 1994             | 1995             | Amount                   | %             |
| <b>ASSESSMENT INCOME</b> (Note 13)   | <b>316,111</b>          | <b>348,600</b>   | <b>1,000,456</b> | <b>1,264,846</b> | <b>1,601,650</b> | <b>336,804</b>           | <b>26.6%</b>  |
| Less   |                         |                  |                  |                  |                  |                          |               |
| Provision for Insurance Losses   | 662,386                 | 670,681          | 1,189,536        | 1,735,938        | 2,094,713        | 358,775                  | 20.7%         |
| Operating Expenses (Note 14)   | 64,278                  | 86,025           | 115,743          | 129,905          | 206,560          | 76,655                   | 59.0%         |
|  | 726,664                 | 756,706          | 1,305,279        | 1,865,843        | 2,301,273        | 435,430                  | 23.3%         |
| <b>Net Assessment Loss</b>   | <b>(410,553)</b>        | <b>(408,106)</b> | <b>(304,823)</b> | <b>(600,997)</b> | <b>(699,623)</b> | <b>(98,626)</b>          | <b>16.4%</b>  |
| Add  |                         |                  |                  |                  |                  |                          |               |
| Income from Investments-net of tax (Note 15)   | 604,703                 | 611,700          | 457,379          | 629,262          | 751,179          | 121,916                  | 19.4%         |
| Other income (Note 16)   | 152,802                 | 151,310          | 124,624          | 111,108          | 110,504          | (604)                    | -0.5%         |
|  | 757,505                 | 763,010          | 582,003          | 740,370          | 861,683          | 121,313                  | 16.4%         |
| Less   |                         |                  |                  |                  |                  |                          |               |
| Interest Expense on Loans Payable to BSP   | 330,472                 | 332,839          | 268,351          | 129,285          | 139,350          | 10,065                   | 7.8%          |
|  | 427,033                 | 430,171          | 313,652          | 611,085          | 722,333          | 111,248                  | 18.2%         |
| <b>NET INCOME</b>  | <b>16,480</b>           | <b>22,065</b>    | <b>8,829</b>     | <b>10,088</b>    | <b>22,710</b>    | <b>12,622</b>            | <b>125.1%</b> |
| Retained Earnings, January 1   |                         |                  |                  |                  |                  |                          |               |
| As previously stated   | 50,212                  | 77,188           | 125,699          | 125,037          | 163,329          | 38,292                   | 30.6%         |
| Prior Period Adjustments   |                         |                  |                  |                  |                  |                          |               |
| 1) Adjustments due to foreign currency conversion and various corrections of prior years' income   | 10,496                  | 26,446           | (9,491)          | 32,618           |                  |                          |               |
| 2) Productivity Incentive Bonus for 1993 paid in 1995  |                         |                  |                  |                  | (672)            |                          |               |
| 3) Adjustment due to change in effectivity of loan restructuring from: Jan 1, 1994 to July 3, 1993 |                         |                  |                  |                  | 33,653           |                          |               |
| As restated  | 60,708                  | 103,634          | 116,208          | 157,655          | 196,310          | 38,655                   | 24.5%         |
| Dividends paid during the year   |                         |                  |                  | 4,415            | (5,044)          |                          |               |
| Dividends Payable  |                         |                  |                  |                  | (11,355)         |                          |               |
| <b>Retained Earnings, December 31</b>  | <b>77,188</b>           | <b>125,699</b>   | <b>125,037</b>   | <b>163,329</b>   | <b>202,621</b>   | <b>39,292</b>            | <b>24.1%</b>  |

## STATEMENTS OF CASH FLOWS

|   | Years Ended December 31 |                    |
|---|-------------------------|--------------------|
|   | 1994                    | 1995               |
| CASH FLOWS FROM OPERATING ACTIVITIES            | (In Thousand Pesos)     |                    |
| Cash received from member banks for assessments | 1,264,352               | <b>1,601,530</b>   |
| Income from savings deposits                    | 217,955                 | <b>709</b>         |
| Collections of interest on financial assistance | 81,719                  | <b>56,767</b>      |
| Income from investments                         | 160,479                 | <b>762,288</b>     |
| Collections of various receivables              | 1,308                   | <b>1,299</b>       |
| Collections from Subrogated Claims              | 1,660                   | <b>4,045</b>       |
| Miscellaneous income                            | 603                     | <b>653</b>         |
| Expenses incurred for R/L of closed banks       | (791)                   | <b>(4,229)</b>     |
| Payments to suppliers                           | (31,335)                | <b>(76,724)</b>    |
| Payments to employees                           | (44,844)                | <b>(73,183)</b>    |
| Remittances to BIR, HDMF, GSIS, etc             | (20,683)                | <b>(27,778)</b>    |
| Final taxes and other prepaid expenses          | (162,669)               | <b>(141,850)</b>   |
| Payment of interest on BSP loans                | (737,128)               | <b>(258,570)</b>   |
| Payment of insured deposits                     | (34,108)                | <b>(67,406)</b>    |
| Net Cash Provided by Operating Activities       | 696,518                 | <b>1,777,550</b>   |
| CASH FLOWS FROM INVESTING ACTIVITIES            |                         |                    |
| Collections from matured investments            | 11,530,733              | <b>6,898,663</b>   |
| Proceeds from sale of investments               | 0                       | <b>39,150</b>      |
| Repayments of loans on financial assistance     | 333,987                 | <b>33,584</b>      |
| Proceeds from sale of equipment                 | 0                       | <b>100</b>         |
| Placements (Investments)                        | (11,732,846)            | <b>(8,808,658)</b> |
| Financial assistance granted to member banks    | (825,000)               | <b>(75,000)</b>    |
| Loans granted to Provident Fund                 |                         |                    |
| Capital expenditures                            | (7,485)                 | <b>(2,287)</b>     |
| Net Cash Provided by Investing Activities       | (700,610)               | <b>(1,914,449)</b> |
| CASH FLOWS FROM FINANCING ACTIVITIES            |                         |                    |
| Borrowings from BSP for Financial Assistance    | 0                       | <b>150,000</b>     |
| Repayment of loans to CB-BOL                    | (25,213)                | <b>(1,000)</b>     |
| Capital Infusion from National Government       |                         | <b>0</b>           |
| Payment of dividend to National Government      | (4,415)                 | <b>(5,044)</b>     |
| Prior Period Adjustment to Retained Earnings    | 35,484                  | <b>(780)</b>       |
| Net Cash Provided by Financing Activities       | 8,857                   | <b>143,176</b>     |
| Net Increase in Cash                            | 1,765                   | <b>6,276</b>       |
| Cash and Cash Equivalents at Beginning of Year  | 2,750                   | <b>4,515</b>       |
| Cash and Cash Equivalents at End of Year        | 4,515                   | <b>10,794</b>      |
| Net Increase in Cash                            | 1,765                   | <b>6,276</b>       |

## Notes to Statement of Cash Flows

- 1) In 1994 outstanding loans payable to Central Bank of the Philippines amounting to P977,787,500 were converted to equity of the National Government to PDIC
- 2) Time deposits and special savings deposits are classified as investments
- 3) Certain accounts in prior years were reclassified to conform with current year's presentation of cash flows



## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Investments

Investments in Treasury Bills, Treasury Notes and Philippine Government Dollar Bonds are recorded at cost. Income from these investments are accrued and recorded over the term of the investment. Final taxes are paid upon placement, booked as Prepaid Taxes and amortized over the term of investment.

#### Inventories

Inventories of supplies and materials, decals and standees, postage stamps and documentary stamps are recorded at cost, determined by the first-in first-out method.

#### Fixed Assets

Fixed assets are carried in the books at acquisition cost less accumulated depreciation.

Depreciation is computed on the straight-line method over the estimated useful life of the fixed assets as follows:

|                        |              |
|------------------------|--------------|
| Furniture and Fixtures | 5 - 10 years |
| Equipment/Vehicles     | 5 - 10 years |
| Computers              | 3 years      |
| Building               | 25 years     |

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

#### Foreign Currency Transactions

Exchange gains or losses arising from the sale of foreign currency are recognized at transaction dates. Gain/loss on foreign currency conversion arising from revaluation of dollar holdings to peso are recorded at year end.

#### Allowance for Losses on Subrogated Claims Receivable

In order to present Subrogated Claims Receivable at its net realizable value, valuation reserves are periodically provided. For this purpose, the account Allowance for Losses on Subrogated Claims Receivable is used. When depositors of closed banks are paid their claims for insured deposits, an amount equivalent to 50% of total amount paid is transferred from estimated insurance losses and recorded as allowance for losses on subrogated claims receivable.

#### Allowance for Uncollectible Accounts

The Corporation, in performing its receivership and liquidation functions, incurs expenses which are charged to receivables from the closed banks. The Corporation recognizes the possibility of not being able to collect from the closed banks and hence a provision for uncollectible accounts is maintained. Before 1993, the Allowance for Uncollectible Accounts was computed at 3% of net income. Effective CY 1993, as approved by the Board, the allowance was pegged at 70% of outstanding balance of Accounts Receivable-Receivership account.

### NOTE 2 - CASH ON HAND AND IN BANKS

This account includes the following:

|                                   | 1994                | 1995            |
|-----------------------------------|---------------------|-----------------|
|                                   | (In Thousand Pesos) |                 |
| Cash on Hand                      | P 43                | P 62            |
| Cash in Bank-Principal Accounts   | 2,017               | 439             |
| Cash in Bank-Settlement of Claims | 2,445               | 10,282          |
| Due from BSP                      | 11                  | 11              |
| <b>Total</b>                      | <b>P 4,516</b>      | <b>P 10,794</b> |

### NOTE 3 - SHORT TERM INVESTMENTS

This account includes the following investments:

|                          | 1994                | 1995               |
|--------------------------|---------------------|--------------------|
|                          | (In Thousand Pesos) |                    |
| Treasury Bills           | P 4,799,651         | P 4,639,234        |
| Dollar Time Deposits     | 110,060             | 109,641            |
| Special Savings Deposits | 1,520               | -                  |
| <b>Total</b>             | <b>P 4,911,231</b>  | <b>P 4,748,875</b> |

### NOTE 4 - OTHER CURRENT ASSETS

This account includes the following:

|   | 1994                | 1995            |
|---|---------------------|-----------------|
|   | (In Thousand Pesos) |                 |
| Interest Receivable from Financial Assistance | P 31,955            | P 44,371        |
| Prepaid Expenses                              | 47,497              | 40,749          |
| Inventory of Supplies & Materials             | 722                 | 1,383           |
| Accounts Receivable                           | 809                 | 904             |
| Due from Officers and Employees               | 132                 | 420             |
| Others  | 257                 | 101             |
| <b>Total</b>                                  | <b>P 81,372</b>     | <b>P 87,928</b> |

#### NOTE 5 - OUTSTANDING LOANS ON FINANCIAL ASSISTANCE

This account includes the following

|  | 1994                | 1995               |
|--|---------------------|--------------------|
|  | (In Thousand Pesos) |                    |
| Notes Receivable from                  |                     |                    |
| Insular Savings Bank                   | P 304,000           | P 272,000          |
| Banco de Oro                           | 11,877              | 10,293             |
| Philippine Veterans Bank               | 79,804              | 79,804             |
| Network RB of Southern Phils           |                     | 75,000             |
| Land Bank (CFI Enhance Program)        | 210,692             | 250,736            |
| Assets Acquired - Financial Assistance |                     |                    |
| Westmont Bank                          | 1,125,000           | 1,125,000          |
| Others                                 | 1,512               | 1,512              |
| <b>Total</b>                           | <b>P1,732,885</b>   | <b>P 1,814,345</b> |
| Less Allowance for Doubtful Accounts   | 1,512               | 1,512              |
| <b>Net</b>                             | <b>P1,731,373</b>   | <b>P 1,812,833</b> |

#### NOTE 6 - SUBROGATED CLAIMS RECEIVABLE

This account refers to the claims of PDIC arising from payment of insured deposits of closed banks.

Payments to depositors of closed banks on account of their insured deposits were charged to the Subrogated Claims Receivable account (referred to as Subrogated Claims Paid account in previous financial reports). On the other hand, the Subrogated Claims Receivable Assigned account represent the amount of subrogated claims which were assigned to BSP in exchange for notes receivable from the borrower banks under the Countryside Financial Institution Enhance Program jointly administered by PDIC, LBP and BSP. Payments by LBP of its receivable under Note 5 is due at the end of 7 years from the date of asset swap and will be used to redeem the subrogated claims assigned to BSP.

|                                       | 1994                | 1995              |
|---------------------------------------|---------------------|-------------------|
|                                       | (In Thousand Pesos) |                   |
| Total Subrogated Claims Receivable    | P 3,173,886         | P 3,241,245       |
| Less Recoveries                       | ( 159,493)          | ( 163,492)        |
| Adjusted Subrogated Claims Receivable | P 3,014,393         | P 3,077,753       |
| Less Assigned to BSP                  | ( 210,692)          | ( 250,735)        |
| Allowance for Losses                  | ( 1,507,197)        | ( 1,538,877)      |
| <b>Net</b>                            | <b>P 1,296,504</b>  | <b>P1,288,141</b> |

#### NOTE 7 - FIXED ASSETS

This account includes the following:

|                               | 1994                | 1995             |
|-------------------------------|---------------------|------------------|
|                               | (In Thousand Pesos) |                  |
| At cost                       |                     |                  |
| Land                          | P 26,206            | P 26,206         |
| Building                      | 146,116             | 146,238          |
| Furniture and Equipment       | 49,031              | 59,136           |
| <b>Total</b>                  | <b>P 221,353</b>    | <b>P 231,580</b> |
| Less accumulated depreciation | 42,613              | 55,613           |
| <b>Net Book Value</b>         | <b>P 178,740</b>    | <b>P 175,967</b> |

Depreciation expense amounted to about P16.8 million and P13.6 million in 1994 and 1995, respectively.

#### NOTE 8 - OTHER ASSETS

This account includes the following:

|  | 1994                | 1995            |
|--|---------------------|-----------------|
|  | (In Thousand Pesos) |                 |
| Accounts Receivable  |                     |                 |
| Various Closed Banks for Outstanding Financial Assistance      | P 158,084           | P 158,084       |
| Various Closed Banks for Receivership and Liquidation Expenses | 31,416              | 44,114          |
| Provident Fund   | 24,724              | 24,718          |
| Other Banks - Assessment Deficiencies                          | 13,653              | 13,653          |
| Sub-total  | 227,877             | 240,569         |
| Others   | 4,845               | 4,680           |
| <b>Total</b>   | <b>232,722</b>      | <b>245,249</b>  |
| Less Allowance for Doubtful Accounts                           | 150,075             | 168,963         |
| <b>Net</b>   | <b>P 82,647</b>     | <b>P 76,286</b> |

Other Banks-Assessment Deficiencies, presented under Accounts Receivable in the previous year's financial statements, were reclassified to Other Assets in 1995.

The property located at Salcedo St. was reclassified to other Assets as of December 29, 1994. A monthly provision for depreciation continued to be charged on the building effective January 1995.

## NOTE 9 - CURRENT LIABILITIES

This account includes the following:

|                                  | 1994                | 1995      |
|----------------------------------|---------------------|-----------|
|                                  | (In Thousand Pesos) |           |
| Unearned Interest Payable to BSP | P 227,403           | P 74,530  |
| Accounts Payable-Variou          | 92,645              | 43,165    |
| Others                           | 3,458               | 38,662    |
| Dividends Payable                | -                   | 11,355    |
| Total                            | P 323,506           | P 167,712 |

## NOTE 10 - LONG TERM LIABILITIES

|                      | 1994                | 1995        |
|----------------------|---------------------|-------------|
|                      | (In Thousand Pesos) |             |
| Notes Payable to BSP | P 1,521,000         | P 1,671,000 |

On July 3, 1993, outstanding loans payable to BSP amounting to P1.521 billion were restructured to 20 year loans at reduced rates of 8.5% maturing on July 2, 2013. This year, BSP granted a 3-year P150 million loan to PDIC at 9.9% interest maturing on April 27, 1998 to provide financial support in the merger of rural banks.

## NOTE 11 - ESTIMATED INSURANCE LOSSES

This account refers to estimated losses of PDIC arising from payment of insured deposits as against recoveries from closed banks and banks expected to close to the extent that PDIC cannot recover from the banks' existing assets. A review of the insurance risk, depositors' claims and possible recoveries from closed banks and banks likely to close are made to better estimate the amount of insurance losses at the end of the year.

This account is also referred to as reserves for insurance losses.

|   | 1994                | 1995        |
|---|---------------------|-------------|
|   | (In Thousand Pesos) |             |
| Beginning Balance, January 1                              | P 2,066,459         | P 3,786,206 |
| Provision for insurance losses                            | 1,735,938           | 2,094,713   |
| Less Allowance for Losses on Subrogated Claims Receivable | ( 16,191)           | ( 31,680)   |
| Amount payable to Al-Amanah Bank for refund of premiums   | -                   | ( 1,066)    |
| Ending Balance, December 31                               | P 3,786,206         | P 5,848,173 |

## NOTE 12 - OTHER LIABILITIES

This account includes the following.

|                          | 1994                | 1995     |
|--------------------------|---------------------|----------|
|                          | (In Thousand Pesos) |          |
| Provision for Retirement | P 24,720            | P 34,393 |
| Others                   | 1,250               | 1,069    |
| Total                    | P 25,970            | P 35,462 |

During the year, the Corporation paid P327,000 as retirement gratuity and made additional provision for retirement of P10 million for employees eligible for retirement in accordance with RA 1616.

## NOTE 13 - ASSESSMENT INCOME

Assessment income refers to earned assessment premiums paid by member banks equivalent to 1/5 of 1% of their total deposit liabilities. On or before January 31 and July 31 of each year, insured member banks are required to file their certified statements showing the assessment base for the preceding six months and to pay the corresponding amount of assessment due. During the year, assessment premiums collected were as follows:

|                              | 1994                | 1995        |
|------------------------------|---------------------|-------------|
|                              | (In Thousand Pesos) |             |
| Commercial Banks             | P 997,180           | P 1,301,078 |
| Specialized Government Banks | 142,576             | 135,313     |
| Thrift Banks                 | 96,877              | 127,931     |
| Rural Banks                  | 28,213              | 37,328      |
| Total                        | P 1,264,846         | P 1,601,650 |

## NOTE 14 - OPERATING EXPENSES

This account includes the following:

|   | 1994                | 1995      |
|---|---------------------|-----------|
|   | (In Thousand Pesos) |           |
| Personal Services, Maintenance and Other Operating Expenses | P 119,756           | P 187,672 |
| Provision for Uncollectible Accounts                        | 6,664               | 18,888    |
| Loss on Foreign Currency Revaluation                        | 3,485               | -         |
| Total   | P 129,905           | P 206,560 |

## NOTE 15 - INCOME FROM INVESTMENTS

This account includes the following:

|                                     | 1994                | 1995      |
|-------------------------------------|---------------------|-----------|
|                                     | (In Thousand Pesos) |           |
| Income on Treasury Bills/Notes      | P 572,759           | P 887,189 |
| Income on Dollar Bonds              | 907                 | 14,947    |
| Income on Time and Savings Deposits | 224,005             | 6,311     |
| Gain on Sale of Investments         | 565                 | 4,334     |
| Total                               | P 798,236           | P 912,781 |
| Less Tax Expense                    | 168,974             | 161,602   |
| Income from Investments-net         | P 629,262           | P 751,179 |

## NOTE 16 - OTHER INCOME

This account includes the following:

|                                      | 1994                | 1995      |
|--------------------------------------|---------------------|-----------|
|                                      | (In Thousand Pesos) |           |
| Income from Financial Assistance     | P 108,418           | P 99,161  |
| Gain on Foreign Currency Revaluation | -                   | 7,472     |
| Others                               | 2,690               | 3,871     |
| Total                                | P 111,108           | P 110,504 |

## NOTE 17 - CONTESTED BILLINGS

The following banks in compliance with Regulatory Issuance No. 92-I regarding rules and regulations governing the posting of security deposit by banks with contested billings, have maintained escrow deposits with government banks as follows.

| Name of Bank                  | Assessment<br>Deficiency | Escrow<br>Deposits | Trustee |
|-------------------------------|--------------------------|--------------------|---------|
|                               | (In Thousand Pesos)      |                    |         |
| Philippine Banks              |                          |                    |         |
| Rizal Commercial Banking Corp | P 899                    | P 899              | LBP     |
| Bank of Phil Islands          | 979                      | 977                | LBP     |
| Metro Bank & Trust Co         | 1,129                    | 1,129              | LBP     |
| PNB-Republic Bank             | 643                      | 643                | PNB     |
| Foreign Banks <sup>a/</sup>   |                          |                    |         |
| Bank of America               | 51,315                   | 0                  | -       |
| Citibank, N A                 | 59,427                   | 0                  | -       |
| Hongkong and Shanghai Bank    | 21,293                   | 0                  | -       |
| Total                         | P 135,685                | P 3,648            |         |

<sup>a/</sup> In the case of the foreign banks, the issue on assessibility of certain deposits is under litigation; escrow deposits have not been made.

## NOTE 18 - OTHER NOTES

As of balance sheet date, the following items are outstanding:

|   | (In Million Pesos) |                        |
|---|--------------------|------------------------|
| Loan Commitments                          |                    |                        |
| Liquidity Pools                           | P                  | 3,120.93 <sup>b/</sup> |
| Financial Assistance                      |                    | 345.00                 |
| Deferred Interest on Financial Assistance |                    | 186.52                 |
| Deposit Claims Filed But Not Paid         |                    | 179.44                 |
| Total                                     | P                  | 3,831.89               |

<sup>b/</sup> PDIC has a contingent commitment to lend an estimated amount of P3.12 billion under the Liquidity Pool Program. The basis for this amount is half of the total deposit liabilities of the outstanding members of operational liquidity pools as of December 31, 1995.

**STATE AUDITOR'S REPORT ON  
THE FINANCIAL STATEMENTS**



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
CENTRAL OFFICE

Don Mariano Marcos Avenue, Quezon City, Philippines  
Tel Nos 98-17-31, 99-26-81; 91-54-02, 96-79-88, 98-72-66, 98-07-59

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

Pursuant to Section 2 Article IX-D of the 1987 Philippine Constitution and pertinent provision of Section 43 of the Presidential Decree No. 1445, we have audited the accompanying balance sheet of Philippine Deposit Insurance Corporation as of December 31, 1995, and the related statements of income and retained earnings, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management.

As of December 31, 1995, Estimated Insurance Losses is reported at P5.848 billion. This is supposed to represent losses which PDIC have incurred on amount of probable closure of certain banks. Of this amount, P2.095 billion was charged to 1995 operations. As discussed in finding No. 1 it is the practice of PDIC to provide "a monthly reserve equivalent to 95% of Income Before Taxes subject to adjustments on the total annual reserves depending on the Corporation's financial status at year end upon evaluation of the President". The basis used by the PDIC in estimating insurance losses does not bear any relationship to the risk and extent of exposure that it has on banks that may close, hence, may not realistically measure actual losses incurred.

In our opinion, owing to the materiality of the amount involved, we do not express an opinion as to the fairness of presentation of balance sheet as of December 31, 1995 and the result of its operation for the year then ended.

COMMISSION ON AUDIT

(Sgd.) GEMILIANO V. MALOLES, JR.  
State Auditor IV  
Unit Head

April 30, 1996

## V. FUTURE DIRECTIONS

Consistent with the thrust of liberalization, the Philippine economy has made significant gains in ensuring that growth prospects will be sustained. However, this will also warrant a banking system that can ably face the challenges of competition. Driven by competitive forces and equipped with information technology, banks constantly develop new and better financial products and services to satisfy the growing needs of their clients. This has posed formidable tasks to regulators in monitoring and assessing how these product innovations and technological advancements affect the industry in general and deposit insurance in particular.

In this regard, PDIC will have to constantly upgrade knowledge, strengthen information base and build capabilities to analyze and utilize such in order to respond promptly and appropriately to the demands of the rapidly changing banking system, at the same time being more sensitive to stakeholders' needs.

The Corporation needs to improve its capacity to match the latest advances in information technology used by banks. Towards this direction, an integrated, comprehensive and updated bank monitoring database is being worked out between the two industry regulators that will enhance reporting efficiency. To fully utilize these information, in-house capabilities for data analysis and corporate application will be worked out in partnership with research institutions.

However, this will require reliable data and good quality of records among operating banks for examination functions and research analysis to be valuable. Unfortunately, this necessary condition will not be fully met until examiners are allowed to have access to deposit accounts. Conscious to keep the depositors' trust in the system, PDIC seeks to secure selective access to ensure the maintenance of sound records at least among the closely watched banks.

With good bank records and with the Corporation's improved capacity to pay, claims of depositors of closed banks should be settled at a pace consonant with convenience banking. Since PDIC's paramount concern is the expedience of depositors, viable alternatives on the most convenient means for claims settlement are being widened in consideration of the risks involved.

Owing to the massive transfer of responsibility and records from BSP, the demand to expedite receivership and liquidation of closed banks was too immense to be met. As was found out, the major obstacle in fulfilling this mandate was the poor condition and incompleteness of bank records. Hence, PDIC will pursue a preventive approach by closely monitoring the implementation of a good records system among banks and will persistently seek ways to gain more access to these records given current policy limitations.

For PDIC to effectively carry these out, it must maintain in its ranks a well-qualified, technically proficient and properly motivated cadre of officers and staff. Thus, the Corporation endeavors to attract high quality personnel and offer a competitive compensation scheme. It will likewise continue in providing them training not only to acquire knowledge and hone their skills, but also to develop a deep sense of integrity. Given the right opportunity in whatever capacity, PDIC officers and staff can serve as catalysts in any workplace within the banking industry.

In relation to the larger community where PDIC is part of, it is committed to deepen its social responsibility towards other sectors. As a Corporation with resources based on knowledge and experience in banking and financial management, PDIC resolves to extend technical assistance to interested parties as it does now with cooperatives. As a government financial institution, PDIC aims to set an example by avoiding perpetual dependence on the national government through the return of the seed money it received. And as a partner in national development, PDIC hopes to actively participate in instilling the values of savings and discipline among Filipinos thereby helping accelerate savings generation.

While the stage for heightened competition has been set for banks, greater challenges await PDIC as it fulfills its role and function in the midst of a dynamic economic environment. Through prudent management and equipped with tools of information and technology, PDIC is set to reach new heights and gain more grounds in achieving its goals with social conscience.

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**BOARD**

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**OF**

---

**DIRECTORS**

---

**CHAIRMAN**

**Honorable Roberto F. De Ocampo<sup>a/</sup>**  
Secretary, Department of Finance

**VICE-CHAIRMAN**

**Hon. Ernest Leung**  
President, Philippine Deposit Insurance Corporation

**MEMBERS**

**Hon. Gabriel C. Singson<sup>b/</sup>**  
Governor, Bangko Sentral ng Pilipinas

**Hon. Felipe B. Alfonso<sup>c/</sup>**  
President, Asian Institute of Management

**Hon. Antonio A. Poblete<sup>d/</sup>**  
President, A&S Trading and Development Corporation

**Hon. Alberto A. Pedrosa<sup>e/</sup>**  
Former Ambassador to the European Union,  
Belgium and Luxemburg

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<sup>a/</sup> In his absence, the Acting Secretary of the Department of Finance serves as Chairman

<sup>b/</sup> In his absence, Deputy Governor Alberto V Reyes serves as alternate member

<sup>c/</sup> Until November 1995

<sup>d/</sup> Until February 1995

<sup>e/</sup> Assumed January 1996

# LIST OF OFFICERS

AS OF DECEMBER 31, 1995

## CENTER / OFFICE

|   |  |
|---|--|
| <b>President</b><br>ERNEST LEUNG  | Office of the President  |
| <b>Executive Vice President</b><br>CAESAR OCTAVIUS V PARLADE  | Office of the Executive Vice President   |
| <b>Senior Vice Presidents</b><br>ROSALINDA U CASIGURAN<br>NIEVELENA V ROSETE  | Claims, Receivership and Liquidation<br>Corporate Services   |
| <b>Vice Presidents</b><br>AURORA C BALDOZ<br>CATHERINE F BAMBA<br>MA ELENA E BIENVENIDA<br>EULOGIA M CUEVA<br>JOSEPHINE C GONZALES<br>ELEANOR B LOPEZ<br>ARMANDO L QUILALA<br>ELENITA B VIDAL   | Receivership and Liquidation (R &L)<br>Special Services<br>Finance<br>Legal Services<br>Insurance and Bank Performance Monitoring<br>Human Resources & Internal Services Management<br>Management Control<br>R & L Operations Control  |
| <b>Department Managers III</b><br>MA JOJI V ARAGON<br>SANDRA P ARCE<br>RESCINA S BHAGWANI<br>JOSEFINA G COLIGADO<br>TEODORO E GALLARDO<br>TERESITA D GONZALES<br>NOEMI R JAVIER<br>JOCELYN J NEPOMUCENO<br>GLORIFICACION M NOCOS<br>FLORDELIZ C PORSOVIGAN<br>CRISTINE C REMOLLO<br>PABLO Y ROMERO, JR<br>LILIAN I SERNA<br>JESUS G SERRANO<br>EDITA D VILLAR<br>ROSOLA A VIVAS                         | Client Services and Information<br>Field Examination II<br>Financial Assistance Management<br>Treasury<br>Presettlement Examination<br>R & L Takeover<br>R & L Asset Administration and Recovery I<br>Insurance<br>Accounting<br>Internal Services Management<br>Legal Services for Operations<br>R & L Litigation<br>Failure Resolution<br>Corporate Litigation<br>R & L Settlement<br>Information Technology                             |
| <b>Assistant Department Managers II</b><br>FERNANDO S ABADILLA<br>ESTHER LILY JEANNE Q ACEÑA<br>GERONIMO V AMBE<br>EDGAR C ANTE<br>ZENAIDA P BAUTISTA<br>MERLIE M CAÑAVERAL<br>VICTORIA M CANCINO<br>PIO B CHAN<br>LEVY C CRUZ<br>SERAFIN A FULE, JR<br>TEODORO JOSE D HIRANG<br>FILOMENA E JONGCO<br>BENEFICO M MAGDAY<br>ANTONIO V MARQUEZ<br>ANGEL B OBRERO<br>ELIZABETH E OLLER<br>RODANTE G PINEDA | Legal Services for Operation<br>Human Resource Management<br>Field Examination I<br>Claims Processing<br>Internal Services Management<br>Treasury<br>Presettlement Examination<br>Investigation<br>Receivership and Liquidation<br>Field Examination I<br>R & L Takeover<br>Management Control<br>R & L Settlement<br>R & L Asset Administration and Recovery I<br>R & L Operations Control<br>Claims Settlement<br>Information Technology |



RENATO N. PULIDO  
ELISEO R. RAMALLOSA  
BENJAMIN M. SALES, JR.  
IMELDA R. SALGADO  
ZENAIDA A. VILLAROMAN  
MA ANA CARMELA L. VILLEGAS

R & L Asset Administration and Recovery I  
Failure Resolution  
Bank Performance Monitoring  
R & L Asset Administration and Recovery II  
Management Control  
Financial Assistance Management

**Corporate Executive Officer III**  
ESTER B. BINALLA

Office of the President

**Corporate Executive Officers II**  
AGNES G. MINA  
EUSTAQUIA M. QUITEVIS  
FELY D. REYES

Legal Services  
Finance  
Accounting

**Corporate Executive Officers I**  
MA. THERESA G. ACCION  
MIRIAM G. ALBAO  
NICANORA H. BAG-AO  
CARLITO B. BANAAG  
FERDINAND M. BELUAN  
MARY ANN C. CRISOSTOMO  
ALBERTO M. CRUZ  
AURAMAR DE ONON- CALBARIO  
JOSE ALEXANDER G. FESTIN  
ANITA R. GONGON  
LOURDES H. ILARDE  
RAFAELITA M. JAMON  
RAMON A. MAAMO  
ALTEO C. MALABUYOC  
VIVENCIO M. MANIAGO  
VICTORIA P. MARTINEZ  
MA. VICTORIA L. MOYA  
QURALENE P. PATALINGHUG  
RUTH A. REFRAN  
RIZALINA I. REPEDRO  
LOLITA D. REYLLLO  
ARACELI H. TABAC  
JOSEFINA J. VELILLA

Special Actions and Assistance Group  
Client Services and Information  
Claims, Receivership and Liquidation  
Management Control  
R & L Takeover  
R & L Takeover  
R & L Settlement  
Client Services and Information  
Information Technology  
Field Examination I  
Bank Performance Monitoring  
Planning  
R & L Operations Control  
Field Examination I  
Claims Settlement  
Office of the Corporate Board Secretary  
Claims Processing  
Management Control  
Treasury  
R & L Asset Administration and Recovery I  
Field Examination II  
Human Resource Management  
Financial Assistance Management

**Attorney IV**  
MARY ROSALIND A. ALARCA  
MA. ANTONETTE I. BRILLANTES  
FIDEL V. LOMIBAO  
LUISITO Z. MENDOZA

Corporate Litigation  
R & L Litigation  
Legal Services for Operations  
Legal Services for Operations

**Legal Officers IV**  
MELVYN M. GONZALES  
MARIE HAZEL V. CIRIACO  
NOLA OLYMPIA J. SILERIO  
MARA C. VICTORIA

R&L Litigation  
R&L Litigation  
Legal Services for Administration  
Legal Services for Operation

**Division Chiefs III**  
THELMA B. ARIAS  
JUANITO R. ENRIQUEZ  
JUAN V. LANTING  
HERMINIA T. LLOREN  
AURORA A. TORRES  
ANTOINETTE L. VIDAL  
GLORIA M. VILLANUEVA

Accounting  
Accounting  
Office of the President  
Internal Services Management  
Accounting  
Human Resource Management  
Internal Services Management

**Chief Account Management Specialist**  
SIMEON B. KASALA

Provident Fund

---

**PDIC**

---

**AFFILIATED**

---

**ORGANIZATIONS**

---

**Provident Fund Office**

|                       |               |
|-----------------------|---------------|
| MA ELENA E BIENVENIDA | Chairman      |
| ATTY. EULOGIA M CUEVA | Vice Chairman |
| SANDRA P ARCE         | Trustee       |
| JOSE A BENDAÑA        | Board Member  |
| MA TERESA A HERRERA   | Board Member  |
| SIMEON B KASALA, JR   | Accountant    |

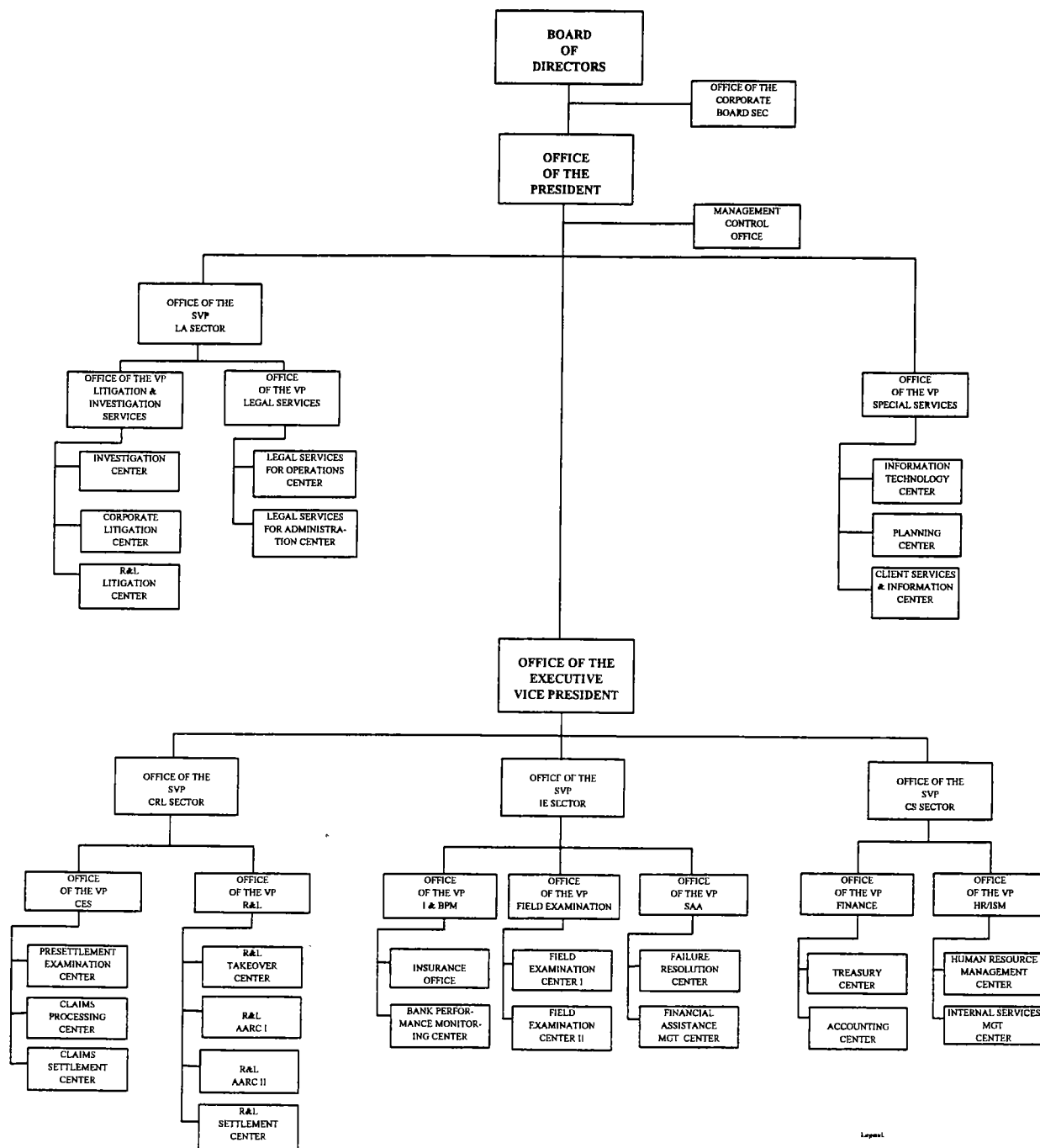
**PDIC Employees' Organization (PHILDICEO)**

|                      |                    |
|----------------------|--------------------|
| BALDWIN L SYKIMTE    | President          |
| BERNARDINO A TONGKO  | 1st Vice President |
| ERWIN L GONZALEZ     | 2nd Vice President |
| IMELDA K MAGSINO     | Treasurer          |
| MA SARAH F ASOMBRADO | Secretary          |

**PDIC Employees' Multi-Purpose Cooperative, Inc. (PEMCI)**

|                            |                 |
|----------------------------|-----------------|
| VIVENCIO M MANIAGO         | Chairman        |
| RESCINA S BHAGWANI         | Vice Chairman   |
| GLORIFICACION M NOCOS      | Treasurer       |
| ESTHER LILY JEANNE Q ACEÑA | General Manager |
| ESTER B BINALLA            | Secretary       |
| CATHERINE F BAMBA          | Board Member    |
| IMELDA R SALGADO           | Board Member    |
| ZOSIMA D LACONSAY          | Board Member    |
| ERIBERTO B MAGBUHAT        | Board Member    |

**ORGANIZATIONAL CHART**



- Legend**
- VP - VICE PRESIDENT
  - SVP - SENIOR VICE PRESIDENT
  - LA - LEGAL AFFAIRS
  - CRL - CLAIMS, RECEIVERSHIP AND LIQUIDATION
  - IE - INSURANCE AND EXAMINATION
  - CS - CORPORATE SERVICES
  - R&L - RECEIVERSHIP AND LIQUIDATION
  - AARC - ASSET ADMINISTRATION AND RECOVERY CENTER
  - CEN - CLAIMS EXAMINATION SETTLEMENT
  - FE - FIELD EXAMINATION
  - I & B P M - INSURANCE AND BANK PERFORMANCE MONITORING
  - SAA - SPECIAL ACTIONS AND ASSISTANCE
  - HR/ISM - HUMAN RESOURCE/INTERNAL SERVICES MANAGEMENT