



DEPARTMENT OF JUSTICE

OFFICE OF THE ATTORNEY GENERAL

UNITED STATES OF AMERICA

WASHINGTON, D.C. 20530

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PHI
1996

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
CITY OF MAKATI

August 1997

Office of the President

HIS EXCELLENCY
PRESIDENT FIDEL V. RAMOS
Malacañang, Manila

Dear Mr. President:

I have the honor to present the 1996 Annual Report of the Philippine Deposit Insurance Corporation. The Corporation celebrated its 33rd anniversary this year. We again thank His Excellency for honoring us with his presence during the occasion. Be assured that we shall continue to improve our services to enhance depositor confidence.

On behalf of the PDIC Board of Directors, management and staff, I reaffirm our commitment to constant pursuit of better ways of protecting depositors and promoting stability in the banking system.

Again, thank you for your continuing support and trust.

Very respectfully yours,


ERNEST LEUNG

33 YEARS IN THE SERVICE OF DEPOSITORS - 22 JUNE with HIS EXCELLENCY FIDEL V. RAMOS



EXCERPTS FROM THE PRESIDENT'S SPEECH.....

- *PDIC must continually promote and mobilize the savings potential of the various sectors of our society. It must reinvent itself to stay attuned to the environment of innovation in the banking industry.*
- *As PDIC is barred by R.A. 1405 (Bank Secrecy Law) in examining deposit accounts during regular bank examinations, it has not been able to deal with these problems early enough. I urge PDIC management to explore means of allowing PDIC regular verification of integrity of deposit records.*
- *You must strive for stricter supervision of banks. To immediately contain risks of bank failure, the PDIC should further institutionalize channels of coordination with other government agencies for complementary implementation of supervisory actions.*
- *Your primary role should remain the same: that of protecting the interest of the depositing public through the promotion of a strong, vigorous and safe banking system.*

I. ECONOMIC PERFORMANCE IN 1996

The Economy

Overall economic performance continued on an upward trend. Gross national product (GNP) in real terms grew at a faster rate from 5.0% in 1995 to 6.9% in 1996. The country's total output came from three major production sectors, where services comprised 41.7%, while the industry and agriculture sectors made up 34.3% and 20.2%, respectively in 1996. The remaining 3.8% is contributed by net factor income from abroad which significantly increased by 52.2% from last year's level. All major sectors registered positive growth from 1995 to 1996, with services posting the highest at 6.5%, industry at 6.3%, and agriculture at 3.1%. On the demand side, exports and investment continued to lead the growth, at 20.3% and 15.6%, respectively.

Average annual inflation rate remained at single-digit level at 8.4%, although slightly higher than in 1995 at 8.1%, with domestic interest rates declining gradually coupled with the stabilization of the exchange rate.

Fiscal operations of the national government resulted in another surplus of P6.3 billion in 1996, mainly due to an increase of over 18% in tax revenue from P310.5 billion in 1995 to P367.9 billion. Concurrent with improvements in operations of public corporations, the consolidated public sector position ended with a surplus of P7.3 billion, the first surplus in the past five years. Reliance on domestic borrowing diminished with short term treasury bills declining within the range of 11% to 13%.

In contrast, the dollar-peso exchange rate was maintained at around P26.00 despite the widening of the chronic merchandise trade deficit, which amounted to \$11.2 billion in 1996. While the large remittances from overseas contract workers and capital inflows from investments more than offset the trade deficit, the need to accelerate domestic production aimed towards the export market has been ignored. Moreover, the portion of portfolio investments in the capital inflow could easily be reversed and thus provide a potential source of instability in the economy. These factors have to be addressed in exchange rate policy formulation, with major consideration accorded to strengthening the competitiveness of Philippine exports to reduce the deficit in our international transactions.

The continuing current account deficit reflects the economy's low saving rate. Based on national income accounts, gross national savings increased by 23.4% from the 1995 level and its ratio to GNP also increased from 18.5% to 19.5% in 1996. However, this is still way below our Asian neighbors like Indonesia, Malaysia, and Thailand whose saving rates range from 30% to 38% of their GNPs.

Thus, given the various economic structural problems that need to be addressed, it is essential that government review current policies, and draw up consistent and comprehensive economic and financial programs to ensure sustainable growth.

The Banking Industry

The banking infrastructure continued to expand, with the total number of banks reaching 961 from 937 in 1995, with the number of branches increasing to 5,371 by year-end. Consequently, total assets of the banking industry increased to P2.1 trillion, up by 32.0% from previous year level, while its ratio to GNP rose from 82.0% to 92.9%.

Table 1.1 NUMBER OF BANKS & BRANCHES, 1992-1996

Type of Bank	No of Banks ^{a/}					No. of Branches ^{b/}				
	1992	1993	1994	1995	1996	1992	1993	1994	1995	1996
TOTAL OPERATING BANKS	920	912	920	937	961	3,376	3,745	4,176	4,632	5,371
Commercial Banks	35	35	36	48	49	2,403	2,647	2,965	3,250	3,598
Private Banks	32	32	33	45	46	2,222	2,445	2,743	3,002	3,269
Government Banks	3	3	3	3	3	181	202	222	248	329
Thrift Banks	98	97	100	99	108	620	683	721	826	1,063
Savings and Mortgage Banks (SMB)	7	8	12	12	19	309	326	335	355	407
Private Development Banks (PDB)	37	37	37	37	39	181	213	228	273	393
Savings and Loan Associations (SLA)	54	52	51	50	50	130	144	158	198	263
Rural Banks	787	780	784	790	804	353	415	490	556	710

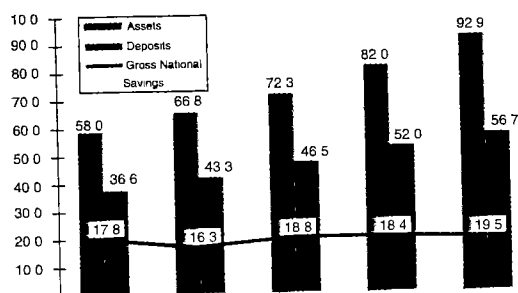
^{a/} Refers to operating banks including those with terminated insured status.

^{b/} Includes domestic and overseas branches, extension offices, money shops, and savings agencies

Source of basic data: BSP

Loans accelerated by 40.7% from its 1995 level and accounted for almost two-thirds of total assets in the banking sector. Higher credit demand was primarily from construction, electricity, gas and water, and finance, real estate and business services sectors. Notable in the banks' loan portfolio is the growing share of foreign currency denominated loans. By year-end, net FCDU loans grew by 196% from its 1995 level and comprised 23.6% of total net loans, twice its share of 11.2% in 1995.

Chart 1.1 GROSS NATIONAL SAVINGS AND ASSETS & DEPOSITS OF THE BANKING SYSTEM As PERCENTAGE OF GNP, 1992 - 1996



(In Billion Pesos)

	1992	1993	1994	1995	1996
Assets	798	1002	1256	1607	2121
Deposits	503	649	808	1019	1294
Gross National Savings	245	244	327	361	446
GNP (Current Prices)	1375	1500	1736	1959	2283

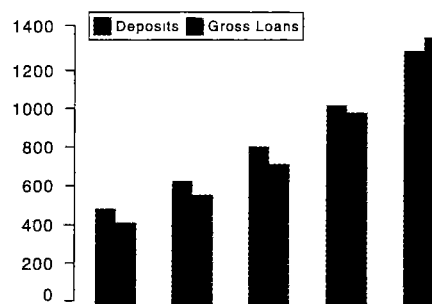
Sources of data: PDIC, NSCB

This trend poses a major credit risk for industries that availed of such loan facility but without a natural hedge, as they become highly vulnerable to exchange rate depreciation. With this risk at hand, there may be the need for more prudent policies on FCDU loan provision. Among the policy options that can be considered are the limitation in credit extension strictly for financing exporters to eliminate risk inherent in lending for nontrade purposes, or the imposition of reserve requirement on FCDUs on a gradual basis.

Quick assets, comprising of cash on hand, checks and other cash items

(COCI), funds due from banks and the BSP, marketable securities, and investment in government securities, grew from P395.5 billion in 1995 to P478.4 billion in 1996, an increase of 21.0%. Comprising the bulk of quick assets at 77.4% are those due from banks and the BSP and investment in government securities, which grew by 21.6% from 1995 level; cash on hand and COCI increased by 42.1%. As a measure of liquidity, the ratio of quick assets to total deposits slightly decreased to 37% from 38.8% in 1995 but still above the statutory requirement of at least 20%.

Chart 1.2 DEPOSITS AND LOANS OF THE BANKING SYSTEM, 1992-1996



(In Billion Pesos)	1992	1993	1994	1995	1996
Deposits	503	649	808	1019	1294
Gross Loans	411	565	719	978	1376
Gross Loans/Deposits (%)	81.71	87.06	88.99	95.98	106.34

With the modest gain in savings, the banking industry mobilized more deposits in 1996 which grew by 27.0% from 1995, reaching P1.3 trillion. Innovations in existing deposit instruments were introduced in the market, each offering advantages of access convenience and higher rates. Commercial banks, with aggressive marketing campaigns, still cornered the most deposits at 75.4% of total. Deposits remained concentrated in the National Capital Region and fast-growing regions of Southern Tagalog and Central Luzon which apparently have more banking offices and are commercially more progressive. Deposit ratio to GNP increased from 52% in 1995 to 58% in 1996, indicating further financial deepening of the economy with more resources for the banking system to finance trade and commerce.

The growth in loans in 1996, however, outpaced the growth in deposits. The loans-to-deposit ratio (LDR) significantly increased from 96% to 106%. To complement resources, local banks resorted to higher amounts of borrowings, while foreign banks drew from abroad. By year-end, total borrowings

Table 1.2 NUMBER OF BANK OFFICES IN THE PHILIPPINES, BY REGION, 1992-1996

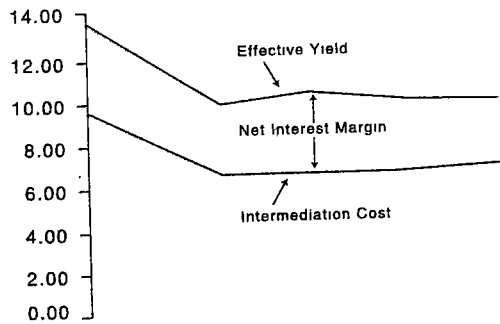
Region	Number of Bank Offices [#]					Growth (%)			
	1992	1993	1994	1995	1996	92-93	93-94	94-95	95-96
National Capital Region - NCR	1,403	1,493	1,686	1,908	2,166	6.4	12.9	13.2	13.5
Region 1	296	257	274	281	317	-13.2	6.6	2.6	12.8
Region 2	125	132	147	156	175	5.6	11.4	6.1	12.2
Region 3	433	476	517	564	644	9.9	8.6	9.1	14.2
Region 4	644	729	805	887	1,054	13.2	10.4	10.2	18.8
Region 5	146	156	165	169	185	6.8	5.8	2.4	9.5
Region 6	295	313	329	345	371	6.1	5.1	4.9	7.5
Region 7	269	302	336	368	410	12.3	11.3	9.5	11.4
Region 8	89	96	99	107	119	7.9	3.1	8.1	11.2
Region 9	87	82	86	90	96	-5.7	4.9	4.7	6.7
Region 10	180	188	196	203	178	4.4	4.3	3.6	-12.3
Region 11	207	221	239	256	280	6.8	8.1	7.1	9.4
Region 12	97	65	64	70	77	-33.0	-1.5	9.4	10.0
Region 13 CARAGA	0	0	0	0	73	0	0	0	0
CAR	0	65	68	75	86	0	4.6	10.3	14.7
ARMM	0	46	47	49	53	0	2.2	4.3	8.2
TOTAL	4,271	4,621	5,058	5,528	6,284	8.2	9.5	9.3	13.7

[#] Includes head offices, domestic branches, extension offices, money shops and savings agencies, including banks with terminated insured status as of cut-off dates

Sources: BSP Factbook 1992-1995

Regional Distribution of Offices of the Financial System by Institutional Group as of Dec. 1996, SRSO, BSP

Chart 1.3 NET INTEREST MARGIN, EFFECTIVE YIELD AND INTERMEDIATION COST OF THE BANKING SYSTEM, 1992-1996



(Units in Percent)

	1992	1993	1994	1995	1996
Net Interest Margin	3.81	2.95	3.94	3.65	3.24
Effective Yield (net of GRT)	13.36	9.99	10.85	10.41	10.20
Intermediation Cost	9.55	7.04	6.90	6.76	6.96

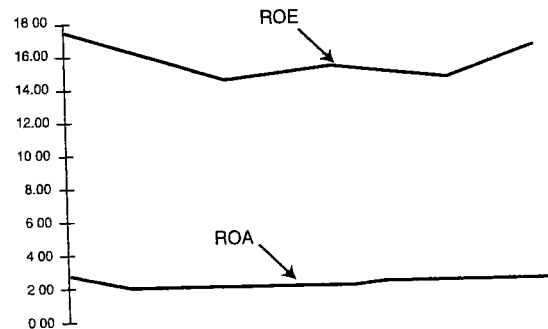
stood at P320 billion, comprising 17.5% of total liabilities, which reached P1.8 trillion (up by 32.7% from 1995). Higher interest borrowings compared to deposits contributed to the increase in intermediation cost of banks. Coupled with a decline in effective yield, banks' interest margins narrowed further to 3.2% from 3.6% in 1995.

The industry's net worth reached P287 billion, more than twice the level in 1992. Its growth in 1996 at 27.7%, however, is lower compared to 33.3% in 1995. While the rural, thrift, and foreign banks posted higher capital growth in 1996, the overall trend decelerated due to the lower capital build-up of commercial banks compared to 1995.

The year 1996 remained profitable for the banking industry, despite increase in operating expenses as banks kept savings interest rates competitive and built up their manpower, technology and information resource base. Consolidated net income (before tax) for the industry amounted to P44.9 billion, a 37.0% increase from the 1995 level of P32.7 billion. Return on equity (ROE) in the banking system grew from 14.5% in 1995 to 15.6% in 1996, while return on assets (ROA) also increased, though slightly, from 2.0% to 2.1% during the same period.

The continuous expansion of the banking industry and the growing sophistication of bank products and services expose the depositing public to greater and unfamiliar risks. As banks transform themselves from conservative financiers to innovators adapting to the competitive market environment, PDIC's role to create awareness of the possible risks at hand, and to provide assistance to banks and depositors, whenever necessary, becomes imperative.

Chart 1.4 RETURN ON ASSETS AND RETURN ON EQUITY OF THE BANKING SYSTEM, 1992-1996



(Units in Percent)

	1992	1993	1994	1995	1996
Net Income Before Tax/ Assets (ROA)	2.50	1.96	2.03	2.04	2.12
Net Income Before Tax/ Capital (ROE)	17.46	14.72	15.09	14.53	15.60

Table 1.3 SELECTED INDICATORS ON THE BANKING SYSTEM*, 1992-1996
Amounts in Million Pesos

ACCOUNTS	1992	1993	1994	1995	1996
ASSETS	798,352	1,001,775	1,255,979	1,606,561	2,120,553
Cash and Due from Banks	158,709	178,881	203,267	223,327	263,239
Net Loans	398,020	550,471	704,810	961,185	1,357,109
Gross Loans	411,185	564,541	719,331	977,866	1,375,679
Less: Allowance for Probable Losses	13,165	14,070	14,521	16,680	18,570
Investments	147,478	155,323	219,222	265,710	313,301
Other Assets	94,145	117,100	128,680	156,339	186,904
LIABILITIES	684,168	868,078	1,087,042	1,381,368	1,833,043
Deposits	503,137	649,463	807,895	1,018,931	1,294,400
Borrowings	89,781	116,347	165,431	224,897	320,026
Due to Head Office/Branches/Agencies Abroad	-	-	-	7,956	51,068
Other Liabilities	91,250	102,268	113,716	129,584	167,549
CAPITAL (Assets-Liabilities)	114,183	133,697	168,937	225,193	287,510
NET OPERATING REVENUE (Operating Revenue - Operating Expense)	17,151	15,562	19,782	26,318	33,756
Operating Revenue (Interest Income + Other Operating Income)	95,918	100,374	125,549	159,868	211,083
Interest Income	75,868	77,832	103,804	132,325	179,572
Loans & Discounts	53,902	56,242	78,242	102,856	142,458
Investments	15,333	15,229	18,456	21,345	27,800
Deposit in Banks	6,010	5,935	6,337	7,095	6,937
Others	623	426	769	1,029	2,377
Other Operating Income	20,050	22,542	21,745	27,543	31,511
Operating Expenses (Interest Expense + Other Operating Expense)	78,767	84,812	105,767	133,550	177,327
Interest Expense	43,812	43,240	56,846	73,195	99,611
Deposit Liabilities	34,938	34,208	43,197	57,693	74,813
Borrowed Funds	8,029	8,133	11,586	14,123	21,197
Bonds Payable	312	467	954	370	372
Others	533	433	1,109	1,009	3,228
Other Operating Expense	34,955	41,572	48,922	60,355	77,717
NET NON-OPERATING REVENUE (Non-Operating Revenue - Non-Operating Expense)	2,789	4,121	5,706	6,411	11,100
NET INCOME BEFORE TAX (Net Operating Revenue + Net Non-Operating Revenue)	19,940	19,682	25,487	32,729	44,855
SELECTED RATIOS (%)					
Net Income Before Tax/Capital	17.46	14.72	15.09	14.53	15.60
Net Income Before Tax/Assets	2.50	1.96	2.03	2.04	2.12
Other Operating Expense/(Net Interest Income + Other Operating Income)	67.08	72.76	71.21	69.64	69.72
Gross Loans/Deposits	81.72	86.92	89.04	95.97	106.28
Net Interest Margin	3.81	2.95	3.94	3.65	3.24
Effective Yield (Net of GRT)	13.36	9.99	10.85	10.41	10.20
Intermediation Cost	9.55	7.04	6.90	6.76	6.96

* Excludes banks with terminated insured status; includes overseas branches of Philippine banks.

Notes:

1. Details may not add up to total due to rounding.
2. See Annex B on notes on selected indicators on the banking system.

II. PDIC'S MANDATE

Financial deregulation has brought about stiffer competition. Banks operate more aggressively and adopt innovative and oftentimes riskier approaches in search of more profitable market niches. This is a challenge to regulatory authorities. It is imperative that they adapt to the emerging competitive market environment, in order to maintain the stability of the banking system.

PDIC continuously reviews and updates operational strategies. The Corporation ensures effective and efficient delivery of services, provides depositors with accurate and timely information, assures unimpaired access to deposits, and hastens claims settlement in the event of bank failure.

INSURANCE PROTECTION

PDIC, as insurer, builds enough financial resources to cover possible losses arising from the failures of member banks. The Corporation had to borrow from the Bangko Sentral ng Pilipinas (BSP) to service depositor claims during the banking crisis of the 1980s. Critically undercapitalized then, PDIC has mobilized its efforts to attain financial independence with sufficient insurance funds. In 1992, assessment premium rate was raised from $\frac{1}{12}$ of 1% to the maximum of $\frac{1}{5}$ of 1% of total deposit liabilities per annum, and the Permanent Insurance Fund (PIF) was increased from P2 billion to P3 billion.

A policy was formulated in 1996 to estimate the reserves required to fully cover estimated insurance losses and allowances for unrecovered subrogated claims. The methodology considered the following: probability of bank failures; outstanding claims in insured deposit; estimate of asset recovery from closed banks; and evolving circumstances in the banking system which have material implications on the risk of failure and the recovery of assets.

Insurance losses for the year was estimated at P8.6 billion, which together with retained earnings and PIF, brought the total insurance reserves to P11.8 billion or 30.4% higher than the 1995 level. Net insurance reserves increased by 37.7%, raising its share of insured deposits to 3.8% from 2.9%.

P2.0 billion of premiums were collected from member banks, a 27.2% increase over last year's P1.6 billion. This can be attributed primarily to the increase in domestic deposit liabilities and the

Box 2.1 BASIS FOR ESTIMATION OF PROVISION FOR INSURANCE LOSSES

The methodology determines the level of adequate reserves through estimating potential losses from risks of bank closures and losses from closed banks. The framework for analysis involves four basic steps:

1. **Assessing the Risk of Bank Closures** - Problem member banks, generally those undercapitalized and unprofitable, are classified into groups according to the extent of financial distress and by extension, probabilities of closure.
2. **Estimating the Historical Recovery/Loss Rate of PDIC on Subrogated Claims** - Using data from closed banks, actual recoveries were determined from banks with approved plans of distribution (POD) and estimated recoveries were obtained from the respective deputy liquidators for banks without PODs.
3. **Applying the Historical Loss Rate on Live Banks** - Loss rates shall likewise be applied to banks identified as undercapitalized and unprofitable based on the amount of insured deposits and probability of closure.
4. **Checking Against a Benchmark Minimum Level of Insurance Reserves** - To ensure that the estimated reserve based on the first three steps is adequate, reserve level is to be maintained at least at the historical insurance reserves to total deposits ratio.

Table 2.1 PDIC INSURANCE RESERVES, 1992-1996
Amounts in Million Pesos

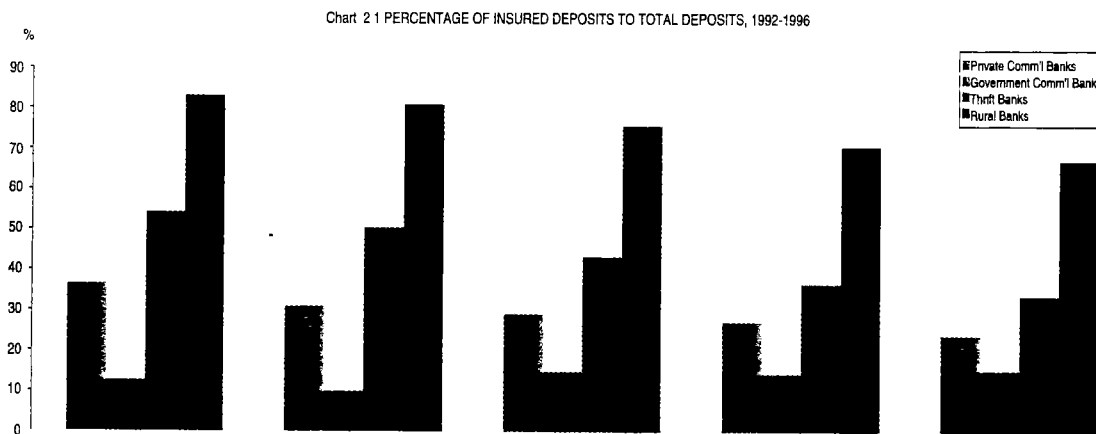
ITEM	1992	1993	1994	1995	1996
Total Insurance Reserves	4,123	4,214	6,950	9,051	11,799
Permanent Insurance Fund	1,973	2,022	3,000	3,000	3,000
Estimated Insurance Losses	2,025	2,066	3,786	5,848	8,572
Retained Earnings	126	125	163	203	227
Payables to BSP	3,607	3,360	1,748	1,746	1,740
Principal	2,750	2,525	1,521	1,671	1,671
Accrued Interest	857	835	227	75	69
Net Insurance Reserves (Total Insurance Reserves Less Payables to BSP)	518	853	5,201	7,305	10,058
Total Deposits	492,192	638,144	797,905	1,011,296	1,285,582
Insured Deposits	179,618	188,805	220,724	248,835	268,150
RATIOS (in %):					
Net Insurance Reserves to Total Deposits	0.11	0.13	0.65	0.72	0.78
Net Insurance Reserves to Insured Deposits	0.29	0.45	2.36	2.94	3.75

Notes:

1. Details may not add up to total due to rounding
2. Data covers PDIC member banks, excluding overseas branches. Philippine Amanah Bank is excluded starting 1995.

Source: Financial Statements and Annual Reports

opening of new banks. Although total deposits grew by 27.1%, total insured deposit liabilities reached P268.2 billion, a 7.8% increase from last year's level. Sixty two percent (62%) of the total deposits in the rural banking sector is insured, with most accounts within the P100,000 coverage.



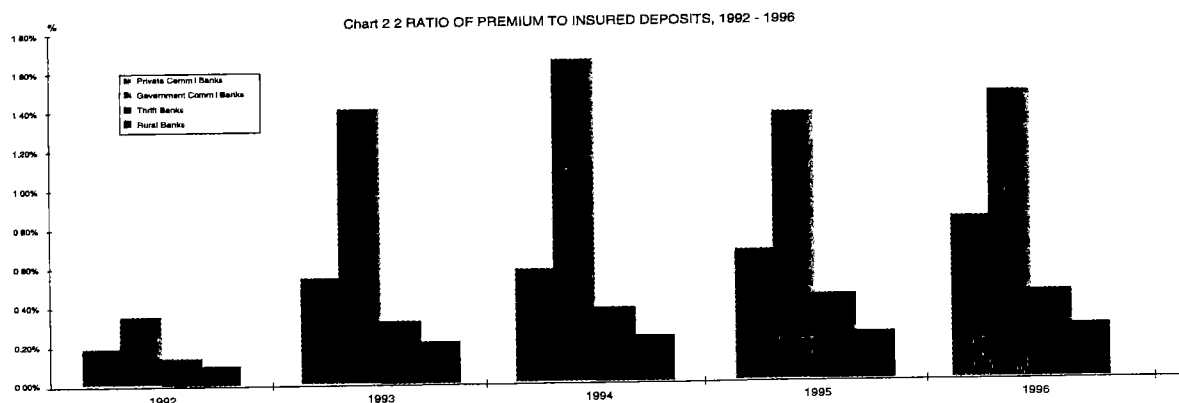
Amounts in Million Pesos

Type of Bank	1992			1993			1994			1995			1996		
	Total Deposits	Insured Deposits	% of Insured to Total	Total Deposits	Insured Deposits	% of Insured to Total	Total Deposits	Insured Deposits	% of Insured to Total	Total Deposits	Insured Deposits	% of Insured to Total	Total Deposits	Insured Deposits	% of Insured to Total
Commercial Banks	441,522	149,827	33.93%	574,361	153,957	26.80%	716,286	182,488	25.46%	896,673	203,326	22.68%	1,131,784	213,242	18.84%
Private	404,709	145,229	35.86%	503,401	147,591	29.32%	648,552	173,769	26.79%	808,780	193,377	23.91%	1,026,345	200,951	19.58%
Government	36,813	4,598	12.49%	70,960	6,366	8.97%	67,734	8,719	12.87%	67,893	9,949	14.66%	105,439	12,291	11.66%
Thrift Banks	40,200	21,284	52.85%	50,259	24,369	48.49%	64,004	25,565	39.94%	91,212	30,022	32.91%	123,543	36,192	29.30%
SMB	28,301	14,118	49.89%	33,537	15,673	46.73%	42,436	15,777	37.18%	57,277	18,389	32.11%	64,026	20,908	32.66%
PDB	7,591	3,961	52.18%	11,491	4,930	42.90%	15,512	5,664	36.51%	25,235	6,775	26.85%	45,455	9,219	20.28%
SLA	4,308	3,206	74.42%	5,231	3,766	71.99%	6,056	4,124	68.10%	8,700	4,858	55.84%	14,062	6,067	43.14%
Rural Banks	10,470	8,507	81.25%	13,504	10,479	77.60%	17,615	12,671	71.93%	23,411	15,486	66.15%	30,275	18,715	61.82%
TOTAL	492,192	179,618	36.49%	638,144	188,805	29.59%	797,905	220,724	27.66%	1,011,296	248,835	24.61%	1,285,582	268,150	20.86%

Notes: 1. Details may not add up to total due to rounding

2. Data covers PDIC member banks excluding overseas branches. Philippine Amanah Bank is excluded starting 1995

Government banks substantially absorb the cost of deposit insurance indirectly through premium payments exceeding protection acquired. This was more evident in 1996, with a ratio of premium to insured deposits of 1.5% compared to less than 1% for other banks.



Type of Bank	Insured Deposits					Premium Remitted					Ratio of Premium to Insured				
	1992	1993	1994	1995	1996	1992	1993	1994	1995	1996	1992	1993	1994	1995	1996
Commercial Banks															
Private	148,827	153,957	182,488	203,326	215,842	314	800	1,140	1,436	1,850	0.21%	0.58%	0.62%	0.71%	0.86%
Government	145,229	147,591	173,769	193,377	200,821	295	511	987	1,900	1,961	0.21%	0.55%	0.57%	0.67%	0.82%
Total	4,598	6,366	8,719	9,948	18,061	16	89	142	136	179	0.35%	1.40%	1.63%	1.37%	1.48%
Thrift Banks															
SMB	21,284	24,369	25,585	30,022	36,188	27	78	97	128	157	0.13%	0.32%	0.38%	0.43%	0.43%
PDB	14,115	15,673	15,777	18,399	20,928	19	53	64	83	111	0.13%	0.34%	0.41%	0.45%	0.53%
SLA	3,961	4,930	5,684	6,775	8,315	5	17	23	32	27	0.13%	0.34%	0.41%	0.47%	0.59%
Total	3,206	3,766	4,124	4,656	6,067	3	9	10	13	19	0.09%	0.24%	0.24%	0.27%	0.31%
Rural Banks															
Total	8,507	10,479	12,671	15,486	18,715	7	22	28	37	50	0.08%	0.21%	0.22%	0.24%	0.27%
TOTAL	178,818	188,805	220,724	248,835	288,180	349	1,000	1,265	1,602	2,037	0.19%	0.53%	0.57%	0.64%	0.76%

Notes: 1. Details may not add up to total due to rounding.
 2. Data covers PDIC member banks excluding overseas branches. Philippine Amanah Bank is excluded starting 1995.

Over a four-year period, 37 banks were terminated of their insured status - of which 12 were closed, and 17 were not operating. Among the remaining banks with pending applications for reinstatement, five have been withdrawn due to non-compliance with requirements. In 1996, the insured status of Rural Bank of Faire in Cagayan was terminated due to nonpayment of insurance premium.

SUPERVISION AND EXAMINATION

PDIC supervision entails periodic off-site monitoring through the review of reports submitted by member banks. The reports comprise inputs to an early warning system designed to promptly spot emerging problems. To keep up with the advances in banking technology and the increasing demand for diligent monitoring of the banking system, a more comprehensive and flexible bank database system was designed, which is expected to be operational in late 1997. The new system will allow retrieval of a wider array of relevant data in various formats for more in-depth analysis.

To monitor the adherence of member banks to sound banking practices, on-site bank examinations are done selectively, focusing on risk areas identified during off-site monitoring. Twenty-eight such examinations were conducted in 1996 involving a total risk exposure of P7.9 billion. Of these, 12 banks with insured deposits totalling P1.3 billion were found to engage in unsafe and unsound banking practices and had to execute deeds of undertaking to correct the deficiencies uncovered during the examination.

**Table 2.2 TERMINATIONS OF INSURANCE STATUS DUE TO NON PAYMENT OF INSURANCE PREMIUM
As of 31 December 1996**

	Name of Bank	Province	Termination Date		Remarks
			Effectivity	90th Day	
Thrift Bank					
1	Panay Thrift Bank	Aklan	08-Jul-94	05-Oct-94	Closed - 09-Nov-94 *
Rural Bank:					
1	RB of Greater Balo, Inc	Lanao del Norte	27-Jan-93	27-Apr-93	Not Operating
2	RB of Masiu, Inc.	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
3	RB of Ganassi, Inc.	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
4	RB of Butig, Inc.	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
5	RB of Pualas, Inc.	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
6	RB of Calawi-Bacolod Grande	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
7	RB of Ditsaan-Ramain, Inc.	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
8	RB of Taraka, Inc.	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
9	Islamic City of Marawi RB, Inc.	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
10	RB of Poona-Bayabao, Inc.	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
11	RB of Lumba-Bayabao, Inc.	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
12	RB of Tamparan, Inc	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
13	RB of Mulondo, Inc	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
14	RB of Malabang, Inc.	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
15	RB of Tugaya, Inc	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
16	RB of Lumbatan, Inc.	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
17	Integrated RB of Binidayan, Inc.	Lanao del Sur	27-Jan-93	27-Apr-93	Not Operating
18	RB of Calintaan, Inc	Occ. Mindoro	19-Mar-93	17-Jun-93	Closed - 14-May-93
19	RB of Oas, Inc.	Albay	19-Mar-93	17-Jun-93	Operating ^b
20	RB of Roxas, Inc.	Palawan	19-Mar-93	17-Jun-93	Operating ^c
21	RB of Lala, Inc.	Lanao del Norte	19-Mar-93	17-Jun-93	Closed - 03-Jun-94 *
22	RB of Camalanagan, Inc.	Cagayan	02-May-93	31-Jul-93	Operating ^c
23	RB of Polilio, Inc.	Quezon	02-May-93	31-Jul-93	Closed - 26-Jul-93
24	RB of Espiritu, Inc.	Ilocos Norte	21-Dec-93	21-Mar-94	Closed - 01-Mar-95 *
25	RB of Buug, Inc.	Zamboanga del Sur	21-Dec-93	21-Mar-94	Closed - 11-Mar-94
26	RB of Tayum, Inc	Abra	08-Jul-94	05-Oct-94	Closed - 05-Oct-94
27	RB of Patnongon, Inc.	Antique	08-Jul-94	05-Oct-94	Closed - 28-Sep-94
28	RB of Maayon, Inc.	Capiz	08-Jul-94	05-Oct-94	Closed - 05-Oct-94
29	RB of Pontevedra, Inc.	Capiz	08-Jul-94	05-Oct-94	Closed - 05-Oct-94
30	RB of Capiz, Inc.	Capiz	08-Jul-94	05-Oct-94	Closed - 05-Oct-94
31	RB of Sara, Inc.	Iloilo	08-Jul-94	05-Oct-94	Closed - 05-Oct-94
32	RB of Balasan, Inc	Iloilo	08-Jul-94	05-Oct-94	Operating ^b
33	RB of Tumauni, Inc.	Isabela	11-Jan-95	10-Apr-95	Operating ^b
34	RB of Cabarroguis, Inc	Quirino	11-Jan-95	10-Apr-95	Operating ^c
35	RB of Dolores, Inc	Eastern Samar	11-Jan-95	10-Apr-95	Operating ^c
36	RB of Faire, Inc.	Cagayan	17-Feb-96	16-May-96	Operating ^c

Notes.

1. Closed with insurance coverage	9
2. Closed without insurance coverage *	3
3. Not operating	17
4. Operating	
a. with active application for reinstatement ^b	3
b. application for reinstatement considered withdrawn ^c	5
Total	37

In late 1996, an audit software was procured to assist bank examiners access, analyze and summarize computer-generated data. This will be operational in 1997, after training of PDIC bank examiners is completed.

The Corporation continuously conducts research activities to assess and gauge certain emerging risks in the liberalized banking system. In 1996, PDIC focused on the dangers posed to banks by the rapid growth in real estate loans. A study was undertaken by the Planning Center to determine the extent of bank exposure in financing the rapid growth of the real estate industry. The analytical data from the study can be used to guide bank examiners in recognizing warning signals to reduce a bank's vulnerability to risks related to the real estate financing.

MANAGEMENT OF PROBLEM BANKS

PDIC is empowered to grant financial assistance to a bank in danger of closing if the continued operation of the bank is found essential in the community or to maintain financial stability in the economy. The cost of such assistance, however, should be determined as less costly than paying off deposit insurance claims in case of closure.

Total financial assistance to banks increased in 1996 due to Westmont Bank's availment of P270 million under the last tranche of the 1994 financial assistance. Funds were released after the first semester infusion of an additional capital of P300 million, in compliance with the condition stipulated in the Financial Assistance Agreement. Another P100 million, in addition to original commitments by the bank owners, was infused before the end of the year to strengthen the bank.

As of year-end, PDIC had P1.8 billion outstanding financial assistance to four banks, two of which are undergoing rehabilitation. Banco de Oro, which acquired a closed bank in 1992, has fully prepaid its P10.3 million outstanding loan in September. Partial collection from two other banks for 1996 amounted to P52 million.

Box 2.2 PDIC POLICIES ON FINANCIAL ASSISTANCE

In consideration of a viable rehabilitation plan for a distressed bank, financial assistance may be granted in order to protect the interests of the depositors and PDIC. The following policies on financial assistance are strictly adhered to:

- a) Substantial capital infusion to cover capital deficiency shall be made at the onset of rehabilitation.
- b) Total estimated accumulated losses and reserves for probable losses shall be fully recognized at the onset of rehabilitation.
- c) Net exposure of PDIC shall not be greater than the recapitalization commitments of the bank owners.
- d) All unsafe and unsound banking practices shall be addressed by the rehabilitation plan.
- e) The financial assistance, if in the form of a loan, shall be adequately secured by collaterals acceptable to PDIC at all times.
- f) There should be an incentive mechanism for accelerated rehabilitation.

To closely monitor adherence to the terms, conditions and commitments under the rehabilitation plan, PDIC either nominates a representative to the Bank's Board or assigns a consultant in the Bank.

Table 2.3 OUTSTANDING FINANCIAL ASSISTANCE, 1992-1996 ^{a/}
As of Dates Indicated
Amounts in Million Pesos

Type of Bank	31 December 1992		31 December 1993		31 December 1994		31 December 1995		31 December 1996	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount
Commercial Banks	3	858	3	696	2	1,205	3 ^{b/}	1,215	2	1,455
Thrift Banks	2	333	2	333	2	316	1	272	1	240
Rural Banks	-	-	1	2	-	-	1	75	1	75
Total	5	1,191	6	1,031	4	1,521	5	1,562	4	1,770

^{a/} Excludes non-interest bearing financial notes extended under Module I of the Countryside Financial Institutions Enhancement Program

^{b/} Includes one bank (previously a thrift bank) transformed into a commercial bank in 1995

PAYMENTS OF INSURED DEPOSITS

A primary objective of the Corporation is to pay the insured deposits in closed banks to the right person, for the correct amount, promptly after bank closure. The processing time to pay off depositors after closure of bank was shortened from an average of nine months to six in 1995. With persistent efforts at improving ways in overcoming deficiency in records of closed banks and public information drive, the processing time was significantly shortened to an average of one and a half months.

While the interval has been significantly shortened by merging the verification processes, the Corporation still faces the problem of poor records. The process of examination and validation done prior to payment of insured claims relies completely on the quality and accuracy of the closed bank's records. Unfortunately, the Bank Secrecy Law restrains PDIC examiners from looking into bank deposit records, denying regulators the means to ensure that deposit records are properly and accurately maintained at all times.

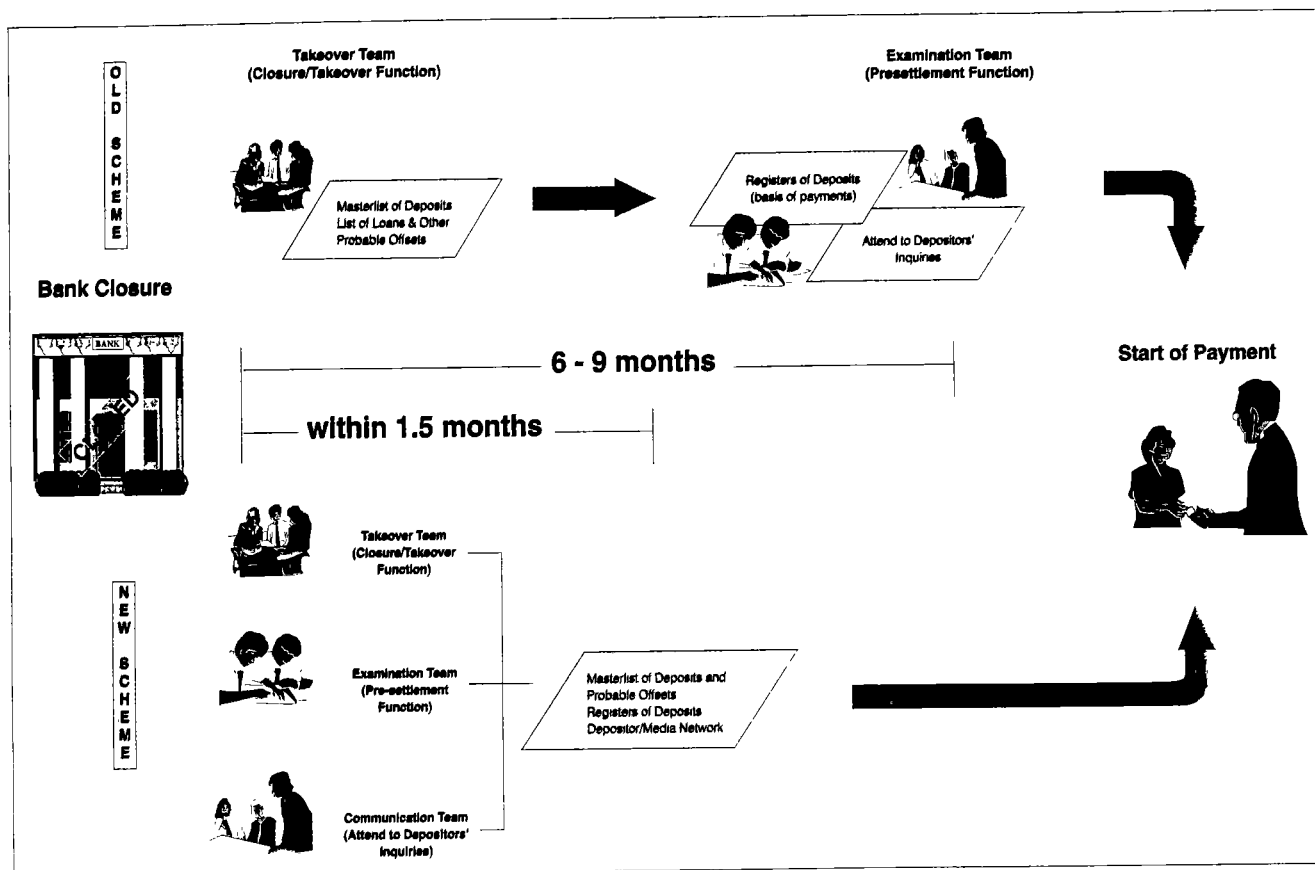
Further, attempts to speed up takeover are sometimes hindered by the judicial process. There were occasions when PDIC was prevented from exercising its receivership task through the issuance of Temporary Restraining Orders (TROs). Moreover, the Corporation is restricted by law to use only government banks as depository banks for payment of insured deposits which at times are distant from closed banks, adding to cost and inconvenience to insured depositors submitting claims.

Despite this, PDIC has improved claims servicing by upgrading and modernizing its management of claims settlement.

Management of Claims Process

The Corporation implemented a new system of takeover and pre-settlement examination of deposit liabilities through a Joint Takeover-Examination-Communication Operations. This provides for the simultaneous takeover of a closed bank and pre-settlement examination of deposit accounts, supported by an information dissemination team. This system has enabled PDIC to promptly determine its liability to individual depositors, thus facilitating the settlement of claims at an average of one and a half months from the date of bank closure. Information dissemination on the operations is intensified in the vicinity of closed banks, allowing members of the takeover and pre-settlement teams to focus on the determination of insured deposits. (See section on Public Information and Service).

Chart 2.3 SEQUENTIAL OPERATIONS (OLD SCHEME) VS. JOINT TAKEOVER-EXAMINATION-COMMUNICATION OPERATIONS (NEW SCHEME)



Policies Implemented

In 1996, the PDIC Board revoked the policy on prohibition against pretermination and splitting of deposits done immediately before or at the time when a bank is in serious financial distress or illiquidity. The PDIC Board also approved a scheme allowing the immediate payment of claims for insured deposits with balances not exceeding P500 after they are validated, instead of passing through the usual rigorous deposit examination. With this innovation, the processing and settlement of claims for small deposits could be started within a month from bank closure. The PDIC Board has likewise authorized the direct cash payment of deposit accounts with balances not exceeding P1,000 for the convenience of the small depositors. This is an improvement over past practice of paying all insured deposits in checks except in the case of Rural Bank of Polilio (Quezon) where cash payments were authorized by the PDIC Board for deposit claims not exceeding P200. Convenience for small depositors was attained though at risk of carrying cash to distant communities.

The documentary requirements to support claims for accounts of deceased depositors were likewise simplified for claims with deposit balances not exceeding P5,000, again for the convenience of depositors with small accounts. The Board also approved the establishment of the Emergency Pay-Out Facility to enable PDIC to respond to humanitarian needs. Under this facility, the PDIC President may allow the payment of the actual amount of claims or P5,000, whichever is lower, even before the official start of claims settlement operations in a closed bank.

Claims Payoff

Because of these policy amendments, PDIC was able to start claims settlement operations at an average of one and a half months from the date of bank closure in five of the six banks closed in 1996. This is a significant improvement over last year's average of six months. The sixth bank, Rural Bank of Catarman (N. Samar), was ordered closed by the Monetary Board on 26 December 1996. By year-end, the examination of its deposit liabilities for purposes of determining the insured deposits had been started.

In 1996, paid insured deposit claims totaled P69 million for 9,447 accounts in 80 closed banks. This brought the total payments of insured deposits to P3.3 billion for about 1.2 million accounts in 296 closed banks serviced since 1970. Thus, as of year-end, 23.8% of the total number of accounts and 72% of the total amount of deposit liabilities in these banks had been serviced.

Table 2.4 CLAIMS SETTLEMENT, 1992-1996
As of Dates Indicated
Amounts in Million Pesos

	31 December 1992	31 December 1993	31 December 1994	31 December 1995	31 December 1996
Closed Banks Serviced	263	268	274	287	296
Total Deposit Liabilities					
Accounts	4,731,658	4,783,852	4,795,108	4,894,172	4,849,540
Amount	4,325	4,367	4,392	4,497	4,587
Payments Made					
Accounts	1,124,857	1,131,218	1,134,118	1,144,632	1,154,079
Amount	3,111	3,149	3,175	3,241	3,310
% of Payments Made to Total Deposit Liabilities					
Accounts	23.8	23.6	23.7	23.7	23.8
Amount	71.9	72.1	72.3	72.1	72.0

Notes.

Closed banks by status of claims settlement:

1. Banks where claims settlement operations were conducted under R.A. 5517	10
2. Banks where claims settlement operations were conducted under R.A. 3591	
a. Banks serviced as of 31 December 1996	296
b. Banks closed but where claims settlement operations have not yet started	6
3. Banks rehabilitated without claims settlement operations	3
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 31 December 1996	319

Pending claims in terms of accounts and amounts increased by 2.7% and 43.1% from last year's levels, respectively. These consist primarily of deposit claims which need further verification in the recently closed Candaba Rural Bank, Inc. and Rural Bank of San Simon, Inc., both from Pampanga.

As of 31 December 1996, there are still pending claims for 33,704 accounts amounting to P256.9 million. Thirty four percent (34%) are accounts of depositors who have been advised of the approval of their claims; 41.4% have been verified as insured deposits but payments of which are conditional upon submission of required documents; 22.6% are accounts requiring further verification of amounts and/or resolution of legal issues; and the remaining 1.9% are accounts for reprocessing due to change in policy over splitting of deposits.

Table 2.5 PENDING CLAIMS, 1992-1996
As of Dates Indicated
Amounts in Million Pesos

Status	31 December 1992		31 December 1993		31 December 1994		31 December 1995		31 December 1996		% to Total
	Accounts	Amount	Accounts	Amount	Accounts	Amount	Accounts	Amount	Accounts	Amount	
Awaiting Claimants [#]	11,073	4.87	11,424	5.25	11,379	5.06	11,392	5.26	11,464	5.60	34.01
Awaiting Claimants to Submit Required Documents [∇]	18,050	192.99	17,111	174.68	14,517	95.51	16,056	96.83	13,965	98.51	41.43
Pending Verification of Amounts/Resolution of Legal Issues [∇]	3,571	42.96	3,499	41.93	5,899	75.36	5,382	77.35	7,626	124.54	22.63
Reversed Split [#]									649	28.21	1.93
TOTAL	32,694	240.82	32,034	221.86	31,795	175.93	32,830	179.44	33,704	256.86	100.00

[#] Depositors duly notified of approval of their claims.

[∇] Depositors duly notified of documentation requirements.

[∇] Claims filed but still require verification.

[#] Claims for processing due to change in policy over splitting of deposits in 1996

Recoveries of Subrogated Deposits

The Corporation's efforts to recover the amount of insured deposits paid to depositors of closed banks through subrogation resulted in claims for subrogated deposits worth P2.3 billion filed with the Liquidator of the closed banks. In 1996, PDIC recovered a total of P7.2 million from the Rural Bank of Bulan (Sorsogon) and the Rural Bank of Lopez (Quezon). This recovery maintains the overall recovery ratios at 7.4% of the total amount of claims filed, and 5.2% of total insured deposits.

Table 2.6 RECOVERIES OF SUBROGATED DEPOSITS, 1992-1996
As of Dates Indicated
Amounts in Million Pesos

	31 December 1992		31 December 1993		31 December 1994		31 December 1995		31 December 1996	
	No. of Banks	Amount	No. of Banks	Amount	No. of Banks	Amount	No. of Banks	Amount	No. of Banks	Amount
Insured Deposits Paid	263	4,325	268	3,149	274	3,175	287	3,241	296	3,310
Claims Filed by PDIC for Subrogated Deposits	78	1,220	148	2,038	240	2,238	266	2,285	273	2,309
Pending Filing	185	3,105	120	1,111	34	937	21	956	23	1,001 [#]
Recoveries on Claims Filed										
Paid Through Cash	22	77	23	77	26	77	29	84	31	111
Receivable from PVB [∇]	1	82	1	82	1	82	1	80	1	60
Total	23	159	24	159	27	159	30	164	32	171
Subrogated Claims Filed										
Pending Recovery	55	1,061	124	1,879	213	2,078	236	2,121	241	2,138
Recovery Ratios										
Recoveries to Insured Deposits										
Paid		3.68%		5.05%		5.01%		5.06%		5.17%
Recoveries to Claims Filed		13.03%		7.80%		7.10%		7.18%		7.40%

[#] Inclusive of subrogated deposits of The Manila Banking Corporation amounting to P851 million.

[∇] Represents the promissory note issued by Philippine Veterans Bank (PVB) pursuant to R. A. 7169

RECEIVERSHIP AND LIQUIDATION

The receivership and liquidation function aims to recover assets of closed banks and convert them to cash for distribution to creditors and owners in the shortest possible time. Thus, efforts have been continuously exerted to address and resolve issues which impede and make the liquidation process extremely difficult.

Takeover of Closed Banks

In 1996, six rural banks were ordered closed by the Monetary Board and placed under the receivership of PDIC. In line with its policy to prevent loss and tampering of bank records, the Corporation deployed a Takeover Team within two days from receipt of the closure order. At the same time, the examination and information campaign activities were conducted by the Presettlement and Communications Group which played a crucial role in the process. Recommendation for the liquidation of five out of the six banks closed during the year were likewise approved by the Monetary Board.

Table 2.7 FINANCIAL CONDITION OF BANKS PLACED UNDER RECEIVERSHIP, 1996
Amounts in Thousand Pesos

Closed Bank	Takeover Date	Book Value of Assets	Liabilities		Estimated Insured Deposits	
			Total	Deposit	Accounts	Amount
RB San Vicente de Ferrer (Nueva Ecija), Inc.	12-Apr-96	24,658	31,400	7,191	1,682	6,929
RB Santiago (Agusan del Norte), Inc.	19-Apr-96	1,309	2,725	1,362	211	1,317
Candaba RB (Pampanga), Inc.	21-Jun-96	29,933	44,158	31,081	3,509	29,218
RB San Simon (Pampanga), Inc.	19-Jul-96	21,323	32,497	24,907	997	24,592
RB Pandan (Antique), Inc.	30-Aug-96	2,227	9,654	4,063	2,945	3,809
RB Catarman (Northern Samar), Inc.	26-Dec-96	12,180	20,846	3,904	111	3,511

During the year, six additional banks were closed by Monetary Board and taken over by PDIC. These, together with the re-takeover of three rural banks in Pontevedra, Capiz and Maayon which were previously under a Temporary Restraining Order brought the total number of banks originally taken over by PDIC to 47 as of year-end. Meanwhile, the transfer of two rural banks from BSP to PDIC brought the total number of closed banks transferred to 231. As a result, total number of banks under PDIC receivership and liquidation increased to 278 from 267 in 1995.

Table 2.8 NUMBER OF CLOSED BANKS UNDER THE ADMINISTRATION OF PDIC, 1996

	As of 1995	For 1996			Total as of 1996
		Closures	Re-takeover	Takeover from BSP	
Closures effected by PDIC	38	6	3		47
Takeover from BSP	229			2	231
TOTAL	267	6	3	2	278

Asset Administration and Recovery

Total estimated realizable assets of closed banks under the administration of PDIC as of year-end was P8.6 billion, P4.9 billion of which is managed by the Treasury Center.

For 1996, actual recoveries reached P244.3 million or 16% more than the recovery target. Of the total recoveries, P73.5 million represents payment of principal, interest, and penalties on loans, while P170.8 million is derived from the sale of real properties through public bidding, negotiated sale, property, and rentals. During the year, PDIC's efforts to send demand letters to borrowers in closed banks in Region 6 paid off. The decision to make the Regional State Prosecutor a signatory remarkably increased collections in the region.

In line with its commitment to hasten liquidation, the Corporation continued to pursue collection measures during the year without sacrificing the policy of cost-effectiveness and efficient administration of closed banks. To minimize overhead costs, liquidation sites and offices were reduced from 191 to 135. Negotiations took place with the Department of Agrarian Reform (DAR) and the Land Bank of the Philippines (LBP) concerning the disposition of more than 7,000 parcels of agricultural land belonging to closed banks. The final list of properties covered by the Comprehensive Agrarian Reform Program in 122 closed banks was submitted to DAR during the year.

Distribution of Assets

The Project of Distribution (POD), begun in 1995, is directed at closed banks with liquidating dividends or available funds to settle obligations and those already in the final stage of liquidation. The POD shows partial/final liquidation plans and distribution of available assets to creditors in accordance with the law on concurrence and credits prepared and submitted to the PDIC Board and then to the Liquidation Court for approval.

Table 2.9 BANKS WITH APPROVED PARTIAL/FINAL PROJECT OF DISTRIBUTION, 1996

No.	Closed Bank	Time Line						Liquid Assets for Distribution ^{1/} (In Thousand Pesos)
		Start of Business Operations	Closure		Takeover By	Transfer from BSP to PDIC	POD Approval by PDIC Board	
			MBR ^{2/} No.	Date				
PARTIAL								
1	RB of Quezon (Bukidnon)	01-Aug-80	1161	08-Nov-85	BSP	10-Feb-95	02-Jan-96	463
2	RB of San Francisco (Agusan del Sur)	03-May-74	1096	09-Dec-88	PDIC		02-Jan-96	632
3	RB of Mutia (Zamboanga del Norte)	29-Aug-79	708	16-Apr-82	BSP	23-Mar-95	03-Jan-96	2
4	RB of Impasug-ong (Bukidnon)	16-Sep-79	282	13-Mar-87	BSP	16-Mar-95	03-Jan-96	53
5	RB of Nampicuan (Nueva Ecija)	08-May-78	269	31-Mar-89	PDIC		05-Jan-96	26
6	Integrated RB of Misamis Oriental	24-Jun-83	511	25-May-90	BSP	20-Jun-95	05-Feb-96	92
FINAL								
1	RB of Sia Clara (Pasay City)	17-Jul-79	1101	31-Aug-84	BSP	17-Sep-94	29-Jan-96	9
2	RB of Sibutad (Zamboanga del Norte)	07-Dec-79	1305	16-Jul-82	BSP	23-Mar-95	29-Jan-96	3

^{1/} Monetary Board Resolution

^{2/} Includes cash on hand/in bank and investment funds

In 1996, the Liquidation Court approved the partial PODs of the Banco Primero Development Bank (BPDB) and Fidelity Savings & Mortgage Bank (FSMB) which were part of the 13 partial PODs of closed banks endorsed by the PDIC Board in 1995. However, the Asset Privatization Trust (APT) questioned the computation of interest after BPDB closed. This resulted in the temporary suspension of the insured creditors' claims payments. The total claims of the uninsured deposits amounted to P3.3 million representing 79 claims. As of the year-end, 38 claims amounting to P2.0 million were serviced.

On the other hand, the liquidating dividends of preferred creditors of FSMB, equivalent to 100% of their principal claims, amounted to P18,589.16, while the liquidating dividends of ordinary creditors, equivalent to 70% of their principal claims, amounted to P11.1 million. For the year, liquidating dividends of preferred creditors of FSMB were paid in full, while P2.3 million was paid for the liquidating dividends of ordinary creditors.

During the year, partial and final PODs of six and two rural banks, respectively, were approved by the PDIC Board for submission to the Liquidation Court.

Enhancement of Operations

Data and statistics on claims, receivership and liquidation, specially those which were only available from field offices, were compiled and centralized to address the information requirements of the management through automation. A monitoring system on Real and Other Properties Owned or Acquired (ROPOA) was developed and installed during the year which enabled management to have immediate access to updated information on a specific property, and other data. Under development stage is the program on Bank Information System (BIS).

Efficiency in the receivership and liquidation operations was also improved through re-engineering of the Claims, Receivership and Liquidation (CRL) organizational set-up. Under the modified system, the CRL Data Center (in charge of the information technology requirements of the CRL Sector) and the Appraisal and Other Support Services Center (AOSSC) were added to the R&L sector. Closed banks were also redistributed according to geographic location among the four R&L operating centers, which permanently manage the whole process of the receivership and liquidation functions of a closed bank. This is in contrast to the previous practice where a closed bank is transferred from one R&L center to another depending on the stage of receivership and liquidation of a closed bank. The new arrangement has eliminated the transfer of responsibility and accountability of a closed bank from one center to another.

III. CORPORATE SERVICES

HUMAN RESOURCE

PDIC believes that the effectiveness and efficiency of an organization ultimately depend on the size and quality of its human resource base. Since people are its principal and most significant resource, the Corporation strives to maintain a work environment that enables employees to attain their fullest potential in the work force.

At present, the Corporation is faced with difficulties in hiring and quick turnover of employees. Skilled personnel are pirated by the private sector which offers more competitive compensation and fringe benefits. As of year-end, total manpower complement was 612, 51% less than the authorized strength of 1,249.

The Corporation continues to place high priority on the development of a cadre of highly trained and professional staff. In order to upgrade skills and boost productivity, the Corporation conducted 13 training programs participated in by 488 personnel. (Although lower than last year's 17 training programs with 622 participants). About 119 personnel participated in 66 training programs and seminars conducted by external organizations.

To reduce training costs and at the same time, enhance skills of its training personnel and experiment on new strategies in conducting trainings on functional areas, the Corporation for the first time, utilized its own training staff instead of outsourcing from external training institutes in conducting the 12th Foundation Course for new hirees and the 1st Supervisory Development Course for middle managers.

A significant accomplishment during the year is the accreditation of the PDIC Training Institute by the Civil Service Commission. The accreditation recognizes the capability of the Corporation to train and develop its people. Training programs conducted by PDIC automatically meet the training hours requirement for civil service eligibility.

Aside from training, the Corporation also protects its employees by offering health and medical coverage.

Table 3.1 TRAININGS AND SEMINARS CONDUCTED/ ATTENDED, 1995-1996

Training /Seminar	Frequency		Number of Participants	
	1995	1996	1995	1996
PDIC - Sponsored Courses	17	13	622	488
Foundation Course	2	2	94	89
Basic Bank Operations	3	2	93	76
Basic Bank Accounting	3	2	107	72
Financial Analysis	2	-	105	-
Bank Examination	1	-	38	-
Claims	1	1	31	35
Property Management	-	-	-	-
Receivership and Liquidation	1	-	18	-
Signature Verification	-	1	-	33
Effective Business Writing	3	1	104	35
Effective Writing for Executives	1	-	32	-
Basic Supervisory Development	-	1	-	15
Team Building	-	1	-	18
Fire Drill	-	1	-	105
Visual Basic	-	1	-	10
Courses Offered by External Agencies	86	66	146	119
Local	81	64	138	116
Foreign	5	2	8	3
GRAND TOTAL	103	79	768	607

Under the new provision of the health maintenance program, the PDIC Group Personal Accident Insurance under the Government Service Insurance System was modified to cover all employees regardless of rank/designation and years of service.

To further enhance welfare benefits, guidelines were drawn on the implementation of the Employee Suggestions and Incentives Award System, that aims to reward employees for meritorious suggestions and exemplary performance. Further, guidelines for program ADVANCE (Action to Develop Versatile and Competent Employees) were revised to provide a more extensive and comprehensive means of developing, in prospective officers, a better understanding of the various functions of the Corporation and their interrelation.

Continuing physical fitness and sports activities were also held, with trophies and cash awards given to winners.

ADMINISTRATIVE OPERATIONS

The Corporation initiated schemes to improve service delivery, simplify operations and promote the safety and well-being of its employees. Significant improvements were made in the postal, procurement and property services and fire prevention and safety areas. These include the adoption of the Mail Now, Pay Later charge account with the Philippine Postal Corporation (PPC) which ensures the effective and efficient handling of mailing requirements and enhances service delivery by the Corporation. The new scheme eliminates the need to procure stamps of different denominations and saves manhours lost due to time spent on procurement, affixing and inventory, and related treasury and accounting operations.

Another achievement is the new procurement procedure for supplies and materials which provides for payment within five days from delivery of goods instead of pre-payment. This was facilitated with the Procurement Service of the Department of Budget and Management.

The Corporation, through its Disposal Committee and with Board approval, donated old filing cabinets, chairs, electric fans and typewriters to the Upper Bicutan Elementary School, and used laptops and desktop computers to the National Youth Commission. This move enabled PDIC to cut the high cost of maintaining unserviceable properties.

In line with the continuing program to ensure safety in the workplace, fire drills were conducted to orderly evacuate employees in emergency cases. Regular building inspection and maintenance were also undertaken by the Building Management Staff.

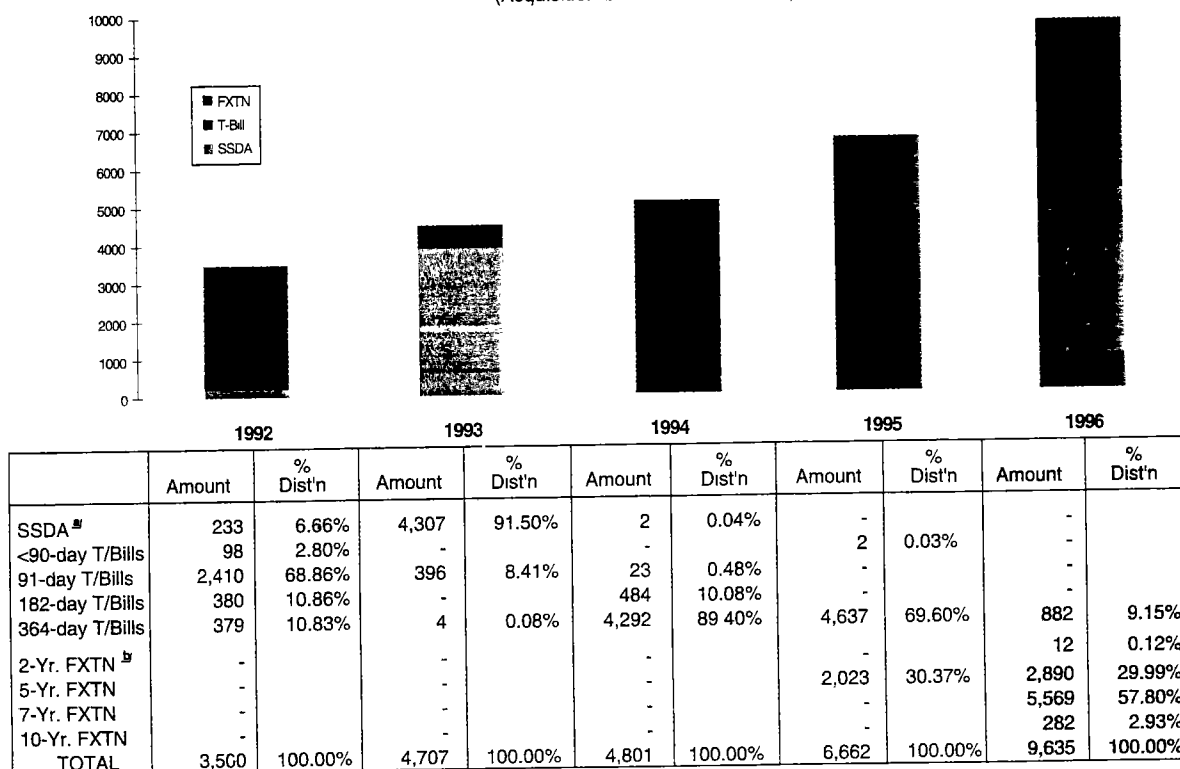
FINANCIAL RESOURCE MANAGEMENT

The Corporation reduces the amount of idle funds held by constantly reducing its minimum daily working balance. In 1996, daily working balance decreased to P397,000 from P439,000 in 1995. To match anticipated expenses, expenditures were met by investing funds in short-term securities. Liquidity was further reinforced with the establishment of a domestic bills purchase line (DBPL) with the

Land Bank of the Philippines. The DBPL enabled immediate clearing of checks payable to PDIC, cutting the three-day waiting time. With large increases in assessment premium collection, the DBPL was upgraded from P800 million in 1995 to P1 billion in 1996. The Corporation also opened a short-term loan line with the same bank to bridge finance payment of insured deposits pending maturities of placements in government securities.

Given the tight liquidity management policy, more investible funds were set aside for placement in high-yielding government securities to maximize income. The corporate peso investments increased by 44.6% from P6.7 billion in 1995 to P9.6 billion in 1996. These investments were placed in long-term instruments which provide high returns, of which 90.8% were in long-term treasury notes/bonds compared to only 30.4% in 1995. During a period of declining interest rates in the financial market, this shift to longer tenors maintained the return on investments (ROI) of 12% (net of tax) of the previous year, which could have been lower if retained in treasury bill holdings.

Chart 3.1 CORPORATE PESO INVESTMENTS
(Acquisition Cost in Million Pesos)

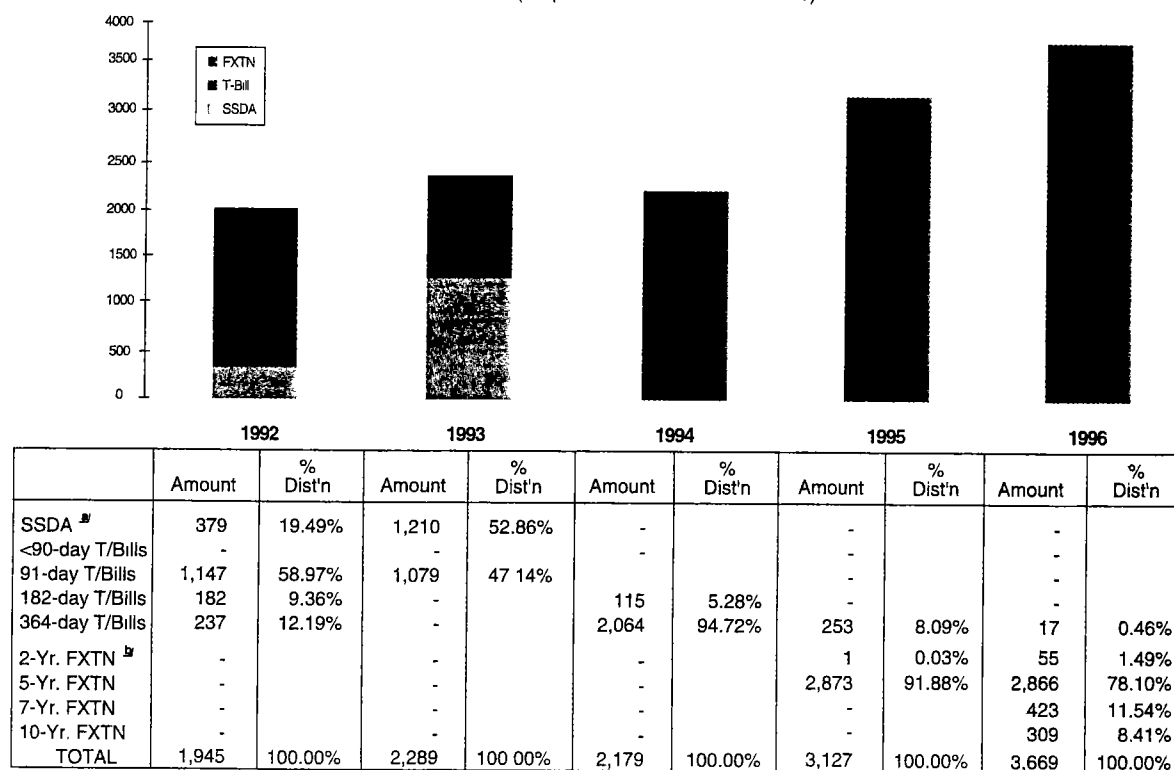


[#] - Special Savings Deposit Accounts

[Ⓜ] - Fixed Rate Treasury Notes

Funds of banks under receivership and liquidation (R&L) are also managed by PDIC, which after determination of the funding requirements of closed banks, are also invested. Total R&L investments reached P3.7 billion in 1996 from P3.1 billion in 1995. Consistent with the corporate investment strategy, 99.5% of the funds were placed in higher-yielding and longer tenors compared to 91.9% in 1995. With more funds and longer placements in 2- to 10-year treasury notes/bonds in 1996, greater returns were realized at 12.0% compared to 10.8% in 1995 (both net of tax).

Chart 3.2 R & L PESO INVESTMENTS
(Acquisition Cost in Million Pesos)



[■] -Special Savings Deposit Accounts

[■] -Fixed Rate Treasury Notes

The Corporation likewise invested in the dollar denominated Philippine Collateralized Interest Reduction Bonds or PAR Bonds. In 1995, PDIC acquired US\$8 million worth of PAR bonds for the Corporation and US\$2 million worth for R&L at average discount rates of 40.5% and 42.5%, respectively. In 1996, these dollar investments were retained in the same instruments.

PDIC also maintained investments in dollar time deposits both for the Corporation and R&L. The rate of return on these investments increased from 6.2% in 1995 to 6.3% in 1996 for PDIC, and from 6.3% to 6.8% for the same period for R&L.

INFORMATION TECHNOLOGY

To keep pace with the developments and dynamism of the banking industry and to enhance its services to the public, the Corporation continued to acquire information technology equipment. The adoption of a user-friendly computing environment in 1995 necessitated the acquisition of more powerful computers and information technology equipment together with office automation softwares.

For 1996, the Corporation spent P20.4 million for information technology equipment and P4.5 million for new softwares. This represents an increase of 353.3% and 221.4%, respectively, from last year's figures. With the acquisition of 159 new computers, the employee-to-

computer ratio improved from last year's 2.33 to 1.46. Although access ratio improved, this cannot be equally translated to work efficiency and productivity because only the newly-acquired computers have the capacity to run the new programs procured.

Table 3.2 EXISTING IT EQUIPMENT/SOFTWARE AND COSTS, 1992-1996
Amounts in Million Pesos

	1992	1993	1994	1995	1996
Computers (PCs and laptops)	223	239	259	259	418
Cost of Equipment	12.5	4.8	9.6	4.5	20.4
Cost of Software	2	0.2	2.3	1.4	4.5
Employee to Computer Ratio	1.59	1.77	2.02	2.33	1.46

Computerized systems in the Corporation are developed either in-house or through outsourcing or contracting, or very recently, off-the-shelf acquisition. Due to urgency, two major systems were identified for outsourcing - the Bank Performance Monitoring System (BPMS) and the Integrated Systems for Claims, Receivership and Liquidation (ISCRL). The development of the BPMS was awarded to Computer Information Systems, Inc. and is expected to be completed in August 1997. If proven successful, the BPMS shall be the basis for the development of the ISCRL, a more extensive and highly complicated system.

Parallel to the acquisition of new equipment is the effort to train personnel to a new computerized environment and to prepare the personnel to adjust to changes brought about by developments in technology. Orientation and skills training programs totalling 23 were conducted to encourage better appreciation of the importance and benefits that can be derived from the adoption of new technology like faster processing, more flexibility and user-friendliness.

PUBLIC INFORMATION AND SERVICE

Information on the role and services of the Corporation is vital in gaining public confidence on the banking system and in strengthening the country's deposit insurance system. The Client Services and Information Center (CSIC) is tasked to prepare and disseminate relevant information to educate the public on their rights as depositors, as well as the functions, services and role of PDIC in the banking system.

Information Dissemination

Through the years, the consistent low turn out of depositors who file their claims for insured deposits has been a paramount concern of PDIC. The delay between the takeover and claims settlement operation has contributed to the claimants' loss of hope and interest in claiming their insured deposits.

This pervasive condition has prompted PDIC to initiate a new scheme that would reduce time gap between takeover and start of initial claims settlement, and hasten the servicing of claims, thus resulting to high turn out of depositor claimants. Believing that the best way to empower the small depositors is through access to information, PDIC launched a program in the second semester of 1996, making the CSIC as the information dissemination and client education component in the Joint Takeover-Examination-Communication Operations.

Despite constraints such as unavailability of lodging houses, almost impassable roads and indifferent media people which threatened to hamper the team's collective efforts in pursuing its tasks, data gathering and information dissemination were intensified. Linkages were established with local government units, non governmental organizations (NGOs), and the local media. Meetings were initiated with the Sangguniang Bayan (municipal council), Associations of Barangay Captains (ABC) and other organizations to educate the general public of PDIC's mission to immediately service claims of insured depositors. Moreover, posters, live radio broadcasts, newspaper announcements, as well as barangay-to-barangay and house-to-house campaigns were utilized to ensure that information on claims settlement and their rights as depositors reach even remote barangays.

During the year, CSIC participated in the takeover and claims settlement operations of the Rural Bank of San Vicente de Ferrer (Nueva Ecija), Inc., Candaba Rural Bank (Pampanga), Inc., Rural Bank of San Simon (Pampanga), Inc., and Rural Bank of Pandan (Antique), Inc.

During takeover operations, CSIC provided frontline services such as attending to queries of anxious depositors, conducting intensive information dissemination to alert the depositors of ongoing receivership and pre-settlement examination activities, gathering pertinent data relative to the conduct of the initial claims settlement operations, and establishing linkages with the local government units, non-government organizations, media, and other groups that can assist PDIC in its take-over/claims settlement activities. The CSIC team, during claims settlement operations, also attended to depositors individually by assisting them in filing their claims and facilitating compliance with PDIC procedures and requirements such as submission of pertinent documents.

In 1996, the turn-out of depositors who filed insured deposit claims increased with these enhanced services. Compared to previous experience, a large number of the increase were claims made by small depositors.

Assistance to Bank Clients

The Corporation renders assistance to depositors and borrowers of operating and closed banks through the Depositors Assistance Bureau (DAB). In 1996, the DAB processed 43 cases, 9% of which were related to claims settlement with closed banks, 86% were related to unserviced withdrawals and ATM savings accounts in operating banks, and 5% were inquiries on deposit coverage. A loan-related complaint remains on hold awaiting the completion of documentation requirements by the borrower.

Information Materials and Publication

The 1996 first semester issue of COMMUNIQUE, a semestral publication focused on current issues on the banking industry, highlighted the savings mobilization agenda of the government as emphasized by President Fidel V. Ramos in a speech delivered during the 33rd anniversary of the Corporation. The distribution of the Information Series and other materials to the general public was also undertaken.

* Rural Bank of Santiago (Agusan del Norte), Inc was also taken over during the year but due to small number of deposit accounts maintained with the bank, CSIC was not included in the operations.

LEGAL AFFAIRS

The Legal Affairs Sector ensures that policies adopted by the Corporation to undertake its operations are consistent with its mandate. It also renders judgment in the interpretation of statutory rules and regulations consonant with law. The Sector is composed of Legal Services Centers, Litigation Center and Investigation Center.

Legal Services

Legal services include the preparation of legal documentation requirements and provision of legal advice relating to insurance, examination, claims, receivership and liquidation, and administrative matters. Legal services for the operations sectors (IES and CRL) are rendered by the Legal Services for Operations Center (LSOC), while the Legal Services for Administration Center (LSAC) handles legal services on administrative matters.

Table 3.3 SUMMARY OF LEGAL SERVICES RENDERED, 1992-1996

	1992		1993		1994		1995		1996	
	Opinions	Contracts	Opinions	Contracts	Opinions	Contracts	Opinions	Contracts	Opinions	Contracts
Operations										
referrals	116	no	182	220	246	232	239	412	234	755
previous			3		49	15	64	52	77	61
new		data	179		197	217	175	360	157	694
disposals	113		133	205	182	180	162	351	132	680
outstanding	3	available	49	15	64	52	77	61	102	75
Administrative		no data available								
referrals					8*	14*	45	42	44	21
previous							4	2	2	2
new							41	40	42	19
disposals					4	13	43	40	43	20
outstanding					4	1	2	2	1	1

* Total referrals received starting November 1994

Of the 989 referrals on operations, 234 were queries and 755 pertained to contracts. Of the 234 queries, 157 were new referrals, while of the 755 contracts, 694 were new requests. The rest are carried over from the previous year. Of the total 989 referrals, 812 were disposed of, improving the disposal rate to 82.1% compared to 78.8% in 1995.

Referrals on administrative matters decreased from 87 in 1995 to 65 this year. Of the 65 referrals, 63 were disposed of, improving the disposal rate from 95.4% in 1995 to 96.9% this year.

To significantly reduce time consumed for contract drafting and ultimately decentralize the preparation of contracts, the standardization of formats for various contracts, agreements and documents regularly used in the Corporation was undertaken during the year. These standardized formats are released electronically through the Intranet for accessibility.

Also, to provide access to legal opinions and hasten activities which require legal justification and basis, all legal opinions rendered since 1988 were codified electronically through a new software. The codified system has yet to be adjusted to conform with the Corporation's existing system but it is expected to be operational by early 1997.

Litigation Services

The litigation services rendered by the Corporate Litigation Center (CLC) include the handling of cases filed by or against PDIC as insurer of deposits and other cases involving the Corporation except those pertaining to the closed banks handled by PDIC. The CLC also monitors the status of cases referred to the Office of the Government Corporate Counsel.

Petitions for assistance in the liquidation of closed banks and collection and recovery action for PDIC as receiver/liquidator of closed banks are handled by the R&L Litigation Center. The Center also supervises and monitors the status of cases referred to the Office of the Solicitor General, accredited external counsels and the offices of the regional prosecutors.

For the year, corporate and R&L Litigation lawyers handled, managed and monitored 1,883 cases in various stages of litigation. This represents a 36.6% increase from the number of cases handled in 1995. Of the 1,883 cases, 50 were filed during the year, 30 of which were initiated by PDIC, and a total of 129 were pending cases turned over by the BSP in 1996. During the year, a total of 277 cases were terminated and/or recommended for write off resulting in 1,606 pending cases as of year-end.

Table 3.4 SUMMARY OF CASES UNDER LITIGATION, 1995-1996

	1995	1996
Total Cases	1,378	1,883
Balance as of previous year	447	1,284
New cases	54	50
Filed by PDIC	20	30
Filed vs. PDIC	34	20
Cases turned over by BSP	596	129
Decided/Compromised	157	124 [*]
Appeals	30	19
Terminated	94	189
Recommended for write-off	0	88
Outstanding cases as of year-end	1,284	1,606

^{*}Consists of 96 cases decided within the year and 28 cases decided in the previous year but were part of the cases turned over by BSP in 1996.

Of the 277 cases terminated and/or recommended for write off, 96 cases resulted in a collection of P456.7 million and were awarded to the closed banks by various courts inclusive of the value of properties involved in the litigation. Adverse awards for closed banks, on the other hand, amounted to a collection of P22.8 million.

On the initiative of the PDIC President, the legal framework for payment of taxes owed by closed banks to the national government was identified. This paved the way for expeditious settlement of taxes in arrears due the government. A total amount of P7.5 million representing unpaid taxes from closed banks were paid by the Corporation as liquidator.

The Corporation, as liquidator of the Pacific Banking Corporation (PaBC), a commercial bank closed in 1985, won in a case over another commercial bank which claimed ownership of the PaBC assets. The Supreme Court, in deciding in favor of the Corporation, ruled that the assets claimed by the petitioner bank could not have been included in the purchase agreement where the claim is based because the assets were then collateralized with the BSP.

Investigation Services

The Investigation Center handles the investigation of suspected frauds and irregularities in operating and closed banks, background check of PDIC employees, suppliers and contractors, credit investigation on prospective investors interested in rehabilitating closed banks, and property checking of borrowers of closed banks.

Total referrals for the year reached 129 involving 386 subjects or an increase of 40.2% from last year's referrals of 92 with 245 subjects. Despite its limited manpower, 107 out of 129 cases involving 299 subjects were disposed of, improving the disposal rate to 82.9% from 69.6% in 1995.

Table 3.5 SUMMARY OF REFERRALS AND DISPOSITIONS, 1995-1996

	1995		1996	
	Referrals	Dispositions	Referrals	Dispositions
Cases	92	64	129	107
Subjects	245	134	386	299
BI of applicants/ employees	20	13	131	124
Whereabouts/property checkings	134	55	150	83
Bank rehabilitators	27	19	13	11
Credit/background investigation	31	29	34	31
Frauds & other bank related investigation	19	6	46	38
Others	14	12	12	12

A significant case handled in 1996 was the investigation conducted on the retail lending program of Monte de Piedad and Savings Bank. It was revealed that the tricycle lending program of the bank was not pro-poor as envisioned and was disadvantageous both to the thrift bank and the tricycle drivers and operators who availed of the loan. It was also found out that the loans were approved only by the Loans Committee of the bank without the confirmation or approval of the bank's Credit Committee and its Board of Directors. These findings prompted PDIC examiners to more effectively implement PDIC plan of action including the declaration by the PDIC Board of such lending scheme as unsafe and unsound.


Other investigation cases resulted in the filing of criminal cases against former officers and employees of 11 closed banks.

INTERNAL AUDIT

The Management Control Office (MCO), the internal audit unit of the Corporation, is mandated to review all operations and support units to ensure the attainment of corporate goals through quality service, controlled but at the same time, efficient.

Corporate Reviews and Liaison

In spite of inadequate manpower, monitoring and evaluation of auditable units and committees were pursued. The audit reports serve as key instruments in promulgating consciousness for proper accountability and improved operations. Further, it enables management to acquire independent feedback system that enhances periodic dialogue with each unit on the attainment of overall strategic goals. The audit covers good business practice, attainment of strategic goals, and prompt service delivery to clients.



MCO also undertakes reviews of policy manuals, the primary tool that institutionalize policies and procedures for clear guidance in operations. Also undertaken are the codification of practices that may have evolved and its periodic review.

The MCO closely works and coordinates with the external auditor, the Commission on Audit (COA), to better appreciate and understand the Commission's views, concerns, requirements, and practices. The interface work also provides COA a better understanding of PDIC management decisions and practices.

Expanded Functions

The assumption of additional responsibilities by MCO in 1995 of the audit of receivership and liquidation operations of closed banks yielded operations quality reviews on four receivership and liquidation units. These involved annual comprehensive reviews of operations. Control verifications on ten closed banks were undertaken but limited to selected high risk areas and activities. Special audits on six closed banks were conducted to look into important items of concern or any auditable area, as well as a special audit on the Funds Monitoring System, a computerized system that deals with investible funds of closed banks.

IV. SPECIAL AFFAIRS

The year 1996 saw a number of visits to PDIC by notable personalities. His Excellency, President Fidel V. Ramos graced the 33rd anniversary of PDIC on June 22. President and CEO Jean Pierre Sabourin of Canada Deposit Insurance Corporation (CDIC) conducted a lecture and roundtable discussion in February, while the European Community Ambassador, His Excellency, Candido Rodriguez visited in March, and Vietnam's Finance Minister, His Excellency, Ho Te in April.

CELEBRATING ITS 33RD ANNIVERSARY

The significance of PDIC's 33rd anniversary was underscored with the presence of His Excellency, President Fidel V. Ramos. For the first time PDIC was visited by the country's President since its establishment in 1963. The President was welcomed by key officers of the Corporation led by PDIC President Ernest Leung, along with PDIC Chairman of the Board Finance Secretary Roberto de Ocampo, and Board members Governor Gabriel Singson of the BSP and Former Ambassador Alberto Pedrosa.

President Ramos, in his anniversary message to PDIC, emphasized the importance of savings and investments generated domestically as among the key preconditions for economic takeoff. PDIC therefore must continually promote and mobilize the savings potential of the various sectors of society to sustain the economic progress the country has so far achieved. He added that amidst the immense growth and dynamism in the banking sector, the Corporation's role should remain the same: to protect the interest of the depositing public through the promotion of a strong, vigorous and safe banking system.

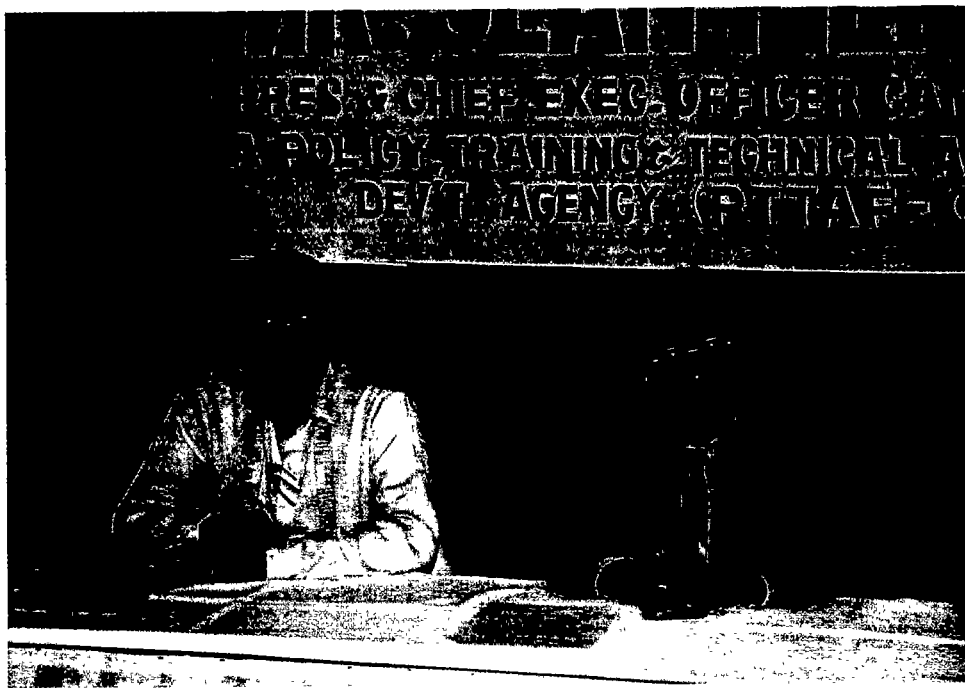
The President stated that further strengthening of PDIC's operational capabilities and close coordination with the BSP are essential to the fulfillment of this objective. Channels of coordination with other concerned government agencies for complementary implementation of strict supervisory actions should also be institutionalized by the Corporation as co-regulator of the BSP. Moreover, a joint database development and maintenance should be promoted between PDIC and these agencies to establish a dependable and responsive system that can efficiently monitor the condition of member banks.

In response to the President's call for support to his social reform agenda, PDIC reiterated its commitment to protect depositors, and presented the innovations implemented by the Corporation as co-regulator of the banking system. The Corporation also took the opportunity to stress the need for an exemption from the Bank Secrecy Law to further facilitate claims settlement of insured deposits. This elicited a favorable reaction from the President as he urged PDIC to explore means of allowing regular verification of bank deposit records so as not to prejudice the depositors if bank closure becomes inevitable.

LECTURE/ROUNDTABLE DISCUSSION WITH CDIC PRESIDENT

The visit of Mr. Jean Pierre Sabourin, President and CEO of Canada Deposit Insurance Corporation (CDIC), was sponsored by the Policy Training and Technical Assistance Facility (PTTAF) under the Distinguished Visitor's Program of the Canadian International Development Assistance (CIDA). This was a result of the Corporation's consultation with CIDA on technical matters regarding deposit insurance practices and bank regulations, particularly those involving various intervention processes for problem banks.

The four-day lecture series on the various aspects of deposit insurance, bank risk management and regulatory interventions on problem financial institutions provided the technical staff of regulators, bank associations, policy makers and legislators fresh insights on how deposit insurance can more effectively lead to a stronger financial system.



CDIC President and CEO Jean Pierre Sabourin (R), seated beside Prof. Francisco L. Roman (L), Asian Institute of Management (AIM) faculty, gives fresh insights on the role of deposit insurance in strengthening the financial system during a roundtable discussion sponsored by the Corporation and the AIM.

A roundtable discussion jointly sponsored by PDIC and the Asian Institute of Management capped the visit, with Mr. Sabourin as the resource person and with key bank supervisors, bankers, government officials, and academicians as reactors. Differences in deposit insurance systems and procedures, given the political and bureaucratic structures of Canada and the Philippines, raised essential issues such as the need for enhanced coordination among bank regulators, amendment of existing laws that will provide access to information vital to depositor protection, and a more efficient delivery of deposit insurance services.

V. FINANCIAL PERFORMANCE

RESULTS OF OPERATIONS

The Corporation's regular income is derived from three sources: assessment premiums from member banks, carrying cost of financial assistance, and interest on investments. For 1996, gross income reached P3.5 billion, 41.1% higher than P2.5 billion in 1995.

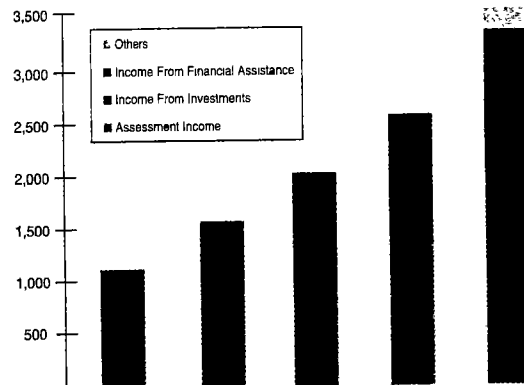
Net income, on the other hand, amounted to P24.4 million, a 7.6% improvement over last year's P22.7 million. Of this amount, a total of P12.2 million will be remitted to the National Treasury.

Assessment premiums comprised 58.8% of the gross income at P2.0 billion or 27.2% higher over the 1995 collection of P1.6 billion. The higher collection of premium was achieved as deposit liabilities of member banks eligible for insurance coverage increased by P274.3 million from the 1995 level, or

an average quarterly increase of P68.6 million. Bigger premium collection enabled the Corporation to accumulate larger volume of investments at higher rates as investment preference shifted from short to long-term maturities. Thus, net income from investments for the year accounted for 31.9% of gross income as it rose by 47.2% to P1.1 billion from P751.2 million in 1995. Revenue from financial assistance to banks represented a mere 3.1%, and gain on sale of the Salcedo property comprised 6.1% of gross income.

Total expenses, on the other hand, swelled to P3.4 billion or by 40.9% from last year's P2.4 billion. As in the previous years, a large portion of earnings was allocated to build up resources to cover insured deposit claims that may arise from bank closures. Accordingly, about 89.9% or P3.1 billion of the total expenses representing 89.1% of gross revenue were charges to provision for insurance losses. This is P994.5 million or 47.5% more than that of 1995. The other 10.1% was used for operating expenses which included P144.6 million in accrued interest on BSP borrowings.

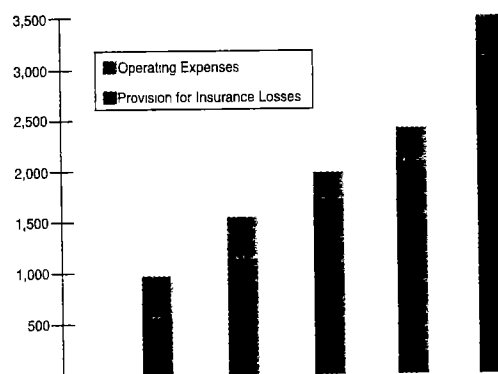
Chart 5.1 GROSS INCOME



(Amounts in Million Pesos)

	1992	1993	1994	1995	1996
Assessment Income	349	1,000	1,265	1,602	2,037
Income From Investments	612	457	629	751	1,106
Income From Financial Assistance	151	122	108	99	107
Others	0.30	3.10	2.70	3.90	216
GROSS INCOME	1,112	1,582	2,005	2,456	3,466

Chart 5.2 TOTAL EXPENSES, 1992-1996



(Amounts in Million Pesos)

	1992	1993	1994	1995	1996
Provision For Insurance Losses	671	1,190	1,736	2,095	3,089
Operating Expenses	419	384	256	346	349
TOTAL EXPENSES	1,090	1,574	1,992	2,441	3,438

FINANCIAL POSITION

The robust growth in resources of the banking system, coupled with prudent management of funds, contributed to the expansion in assets of the Corporation to P13.7 billion in 1996, or 25.3% over the 1995 level. Investments accounted for the increase in assets as it soared by 43.4% or P3.0 billion, higher than the P2.8 billion net increase in total assets. The introduction in late 1995 of long-term treasury bonds and notes has changed the profile of investments in 1996 as the Corporation shifted more placements to long-term instruments to take advantage of better rates. As a result, current assets which in 1995 was comprised of 87.6% short term investments, plunged to P1.5 billion, a decrease by 71.5%, while long term investments, including dollar investments, rose by 313%, from P2.2 billion in 1995 to P8.9 billion.

Financial assistance to banks, including non-interest bearing financial notes extended under Module I of the CFI-Enhance Program, stood at P2.1 billion, 15.8% higher than that of 1995. This is partly due to the additional P270.0 million released to Westmont Bank. Partial collections, on the other hand, consisted of P32.0 million from Insular Savings Bank, P19.95 million from Philippine Veterans Bank, and P10.29 million from Banco de Oro. Subrogated Claims Receivable, net of recoveries, registered only a modest increment of P58.7 million or 1.9%, as bank closures during the year involved small-sized banks. This has lowered insurance claims. The implementation of the improved method of computing annual provision for insurance losses resulted in higher allowance for losses booked in 1996, thus reducing Net Subrogated Claims Receivable by P385.1 million or 29.9%. The high allowance for losses is expected to place PDIC in a better position to service depositors in the event of bank failure.

Other assets, which include receivables from Provident Fund, various closed banks, and officers and employees, was up by P3.5 million. This is mainly due to increased receivables from various closed banks as a result of the expenses incurred by the Corporation in its receivership and liquidation function. On the other hand, the decrease in Fixed Assets was brought about by higher charges to depreciation for the Pasong Tamo building and the sale of the Salcedo Street property.

The expansion in assets was financed by bigger collection of assessment premiums brought about by growth in deposit liabilities of banks; larger volume of investments and better interest rates, resulting in higher interest income; and income from sale of the Salcedo property.

Total liabilities, on the other hand, amounted to P10.5 billion, 35.4% higher than previous year level of P7.7 billion. The bulk of total liabilities or 82% represents estimated insurance losses maintained to cover risks from closures of member banks where the insured deposit claims may exceed recovery of assets, and losses arising from subrogated claims not met by the realizable value of closed banks' assets.

Borrowings from BSP amounted to P1.7 billion. Of this balance, over P1.5 billion was used to pay insurance claims from Banco Filipino, Mindanao SLA and various small banks closed in the 1980s. A total of P150.0 million was released as part of the rehabilitation program for the Network Rural Bank of Davao and P71.0 million as financial assistance to PhilBanking.

VI. FUTURE THRUSTS

The year 1997 will be a challenging year as the current financial liberalization and globalization pose tremendous opportunities for the banking sector to respond to the demands of its clientele, and expand market coverage amidst heightened competition in the industry. With growing optimism, banking institutions are devising more innovative products and services.

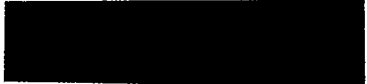
Aware of potential risks that go hand in hand with these opportunities, PDIC is committed to protect the interest of depositors. In this light, the Corporation believes that ensuring access to accurate and timely information is the best protection it can provide depositors. However, timely and accurate information is not only vital to depositors, but also critical in supporting bank managers in policy formulation and decision making. Timely access to relevant information, therefore, coupled with competent bank directors and officers of proven experience and integrity, are prerequisites in maintaining stability of the banking industry, which could promote public confidence and unimpaired access to deposits.

Current monitoring and examination process is hampered by delayed submission of bank reports, especially on the part of rural banks, and the quality of auditing process. Efforts therefore, shall be geared towards urging external auditors to provide better disclosure of the financial standing of banks they examined. The development of investigative techniques, methodologies and strategies to detect potential problems shall be pursued by undertaking macro-level research studies, industry developments and perspectives, and in-depth analysis of variables to establish causality of events.

With accessible reliable information in place, the external capacity of the Corporation vis-a-vis its peers and the banking community shall be enhanced. Closer linkages with the banking community will keep the Corporation abreast with current developments in the industry, as well as with the innovations adopted by banking institutions. On the other hand, strengthening the relationship with BSP will establish coherent and uniform examination methodologies and practices. Moreover, data sharing between the two agencies should be established to facilitate information dissemination. Currently, banks submit reports both to BSP and PDIC, with both agencies processing and compiling data based on submitted reports, thus resulting in duplication of efforts and oftentimes, inconsistency in data.

Amidst the atmosphere of dynamic changes under the ongoing liberalization and deregulation of the industry, banks have to adapt to the emerging competitive environment, which expose them to greater risk. Whereas large banks operate under economies of scale and more diversified risks, smaller banks are vulnerable to stiff competition. Thus, mergers or consolidations of smaller-sized banks to produce larger and more efficient units should be encouraged.

PDIC aims to minimize, if not totally eliminate, bank closures. Hence, PDIC shall pursue, together with BSP, the provision or appointment of a conservator to take charge of the operations of an ailing bank that needs rehabilitation. In the case of an ailing bank needing rehabilitation from external parties, its immediate purchase is important so as not to disrupt depositors' access to their deposits. However, under the present regulatory environment, PDIC cannot unilaterally transfer an ailing bank to new owners. Oftentimes, this delays the rehabilitation process. Existing legal provisions should be studied for possible amendment to facilitate rehabilitation process.



Depositor protection in case of bank closure means prompt payment of insured deposits. This requires adequate resources to pay depositors, and proper maintenance of deposit records by banks to hasten claims settlement. While PDIC is well underway in accumulating an adequate level of insurance reserves, the quality of bank deposit records plays a major role in the process of claims settlement. Generally, banks maintain good deposit records, although experience showed that some banks are negligent in this area. Such negligence is contrary to sound banking practice and therefore should not be tolerated. Accordingly, it is imperative that the Corporation, as co-regulator and insurer, be given authority to examine or inquire into depositors' accounts. However, such is precluded by virtue of the Bank Secrecy Law, thereby placing the Corporation at a disadvantage in hastening claims settlement. The PDIC therefore, shall seek exemption from the Bank Secrecy Law, in consonance with the consensus in the international community towards greater transparency in bank deposits and the general world-wide practice of bank regulators having access to deposit records.

In the event that a bank closure cannot be avoided, strategies to improve liquidation processes shall also be implemented. Specific strategies considered to hasten liquidation is the contracting of private entities as collection agents, and brokers or appraisers to handle property disposal.

The above thrusts are anchored on the internal capability of the Corporation, most especially on the quality of manpower. Aware that its employees are the most important resource, the Corporation shall continue to adhere to strict standards of screening and judicious selection. Training programs to upgrade skills of staff shall be continuously conducted. The PDIC Training Institute shall implement programs to train people not only for the Corporation but also for the banking sector in general. Efforts shall be geared towards the upgrading of the Corporation's remuneration and incentive packages, allowing the Corporation to compete with the private sector in the hiring of quality professionals.

The PDIC is determined to enhance the institution to exemplify the spirit of dynamism, responsiveness and commitment to deliver the best services to its clientele.

COMPARATIVE STATEMENTS OF CONDITION

Annex A.1

(In Thousand Pesos)	Year Ended December 31					Increase (Decrease) 95-96	
	1992	1993	1994	1995	1996	Amount	%
ASSETS							
Current Assets							
Cash on Hand and in Banks (Note 2)	1,021	2,750	4,516	10,794	49,488	38,694	358.5%
Short Term Investments (Note 3)	3,602,029	4,814,303	4,911,231	4,748,875	1,013,119	(3,735,756)	-78.7%
Interest Receivable from Investments	177,494	11,772	431,804	573,856	455,426	(118,430)	-20.6%
Other Current Assets (Note 4)	37,582	80,997	81,372	87,928	27,853	(60,075)	-68.3%
Total Current Assets	3,818,126	4,909,822	5,428,923	5,421,453	1,545,886	(3,875,567)	-71.5%
Long Term Investments (Note 5)							
Government Securities-Treasury Bonds (Dollar)	0	0	102,895	128,266	132,271	4,005	3.1%
Government Securities-Treasury Bonds (Pesos)	0	0	0	2,023,031	8,752,839	6,729,808	332.7%
Total Long Term Investments	0	0	102,895	2,151,297	8,885,110	6,733,813	313.0%
Outstanding Financial Assistance (Note 6)	1,185,735	1,239,374	1,731,373	1,812,833	2,098,902	286,069	15.8%
Subrogated Claims Receivable (Note 7)	3,023,918	2,982,012	3,014,393	3,077,753	3,136,470	58,717	1.9%
Less: Allowance for Losses on Subrogated Claims	399,700	1,491,006	1,507,196	1,538,877	1,904,356	365,479	23.7%
Subrogated Claims Receivable - Assigned	47,025	179,705	210,692	250,736	329,050	78,314	31.2%
Net Subrogated Claims Receivable	2,577,193	1,311,301	1,296,505	1,288,140	903,064	(385,076)	-29.9%
Fixed Assets (Note 8)	159,165	192,427	178,740	175,967	173,863	(2,104)	-1.2%
Other Assets (Note 9)	27,062	33,963	82,648	76,286	79,825	3,539	4.6%
TOTAL ASSETS	7,767,280	7,686,887	8,821,084	10,925,977	13,686,650	2,760,673	25.3%
LIABILITIES, DEPOSIT INSURANCE FUND AND CONTINGENT SURPLUS							
LIABILITIES							
Current Liabilities (Note 10)	891,780	946,613	349,226	203,105	212,473	9,368	4.6%
Long Term Liabilities (Note 11)	2,750,000	2,525,000	1,521,000	1,671,000	1,671,000	0	
Estimated Insurance Losses	2,025,208	2,066,459	3,786,206	5,848,173	8,571,873	2,723,700	46.6%
Other Liabilities (Note 12)	35	517	250	69	3,298	3,229	4679.7%
TOTAL LIABILITIES	5,667,023	5,538,589	5,656,683	7,722,347	10,458,644	2,736,297	35.4%
DEPOSIT INSURANCE FUND							
Permanent Insurance Fund (Note 13)	1,973,487	2,022,212	3,000,000	3,000,000	3,000,000	0	
Retained Earnings	125,699	125,037	163,329	202,621	226,997	24,376	12.0%
TOTAL DEPOSIT INSURANCE FUND	2,099,186	2,147,249	3,163,329	3,202,621	3,226,997	24,376	0.8%
CONTINGENT SURPLUS	1,071	1,049	1,072	1,009	1,009	0	
TOTAL LIABILITIES, DEPOSIT INSURANCE FUND AND CONTINGENT SURPLUS	7,767,280	7,686,887	8,821,084	10,925,977	13,686,650	2,760,673	25.3%

Note: Prior years' presentation was adjusted for comparison.

COMPARATIVE STATEMENTS OF INCOME AND RETAINED EARNINGS

Annex A.2

(In Thousand Pesos)

	Year Ended December 31					Increase (Decrease) 95-96	
	1992	1993	1994	1995	1996	Amount	%
ASSESSMENT INCOME (Note 14)	348,600	1,000,456	1,264,846	1,601,650	2,037,168	435,518	27.2%
Less: Provision for Insurance Losses	670,681	1,189,536	1,735,938	2,094,713	3,089,179	994,466	47.5%
Operating Expenses	418,864	384,094	255,706	345,910	348,819	2,909	0.8%
	1,089,545	1,573,630	1,991,644	2,440,624	3,437,998	997,374	40.9%
Net Assessment Loss	(740,945)	(573,174)	(726,797)	(838,973)	(1,400,830)	(561,857)	67.0%
Add: Income from Treasury Bonds (net of tax)	0	0	0	107,126	823,652	716,525	668.9%
Income from Treasury Bills (net of tax)	603,441	369,195	458,207	618,591	257,524	(361,067)	-58.4%
Income from Par Bonds	0	0	907	14,947	17,100	2,153	14.4%
Income from Time Deposit	4,397	4,541	6,944	5,649	7,393	1,744	30.9%
Income from Special Savings Deposit (inc. regular savings deposit)	3,779	79,118	162,638	531	281	(250)	-47.1%
Gain from Sale of Investments	85	4,525	565	4,334	0	(4,334)	-100.0%
Income from Financial Assistance	150,991	121,545	108,418	99,161	106,990	7,829	7.9%
Other Income	318	3,079	2,690	3,871	2,662	(1,209)	-31.2%
	763,010	582,003	740,370	854,211	1,215,602	361,391	42.3%
Net Income (Loss) Before Extraordinary Items	22,065	8,829	13,573	15,238	(185,228)	(200,466)	-1315.6%
Add: Gain on Sale of Fixed Assets	0	0	0	0	212,909	212,909	0.0%
Net Income Before Effect in Foreign Currency Revaluation	22,065	8,829	13,573	15,238	27,681	12,443	81.7%
Income (Loss) in Foreign Currency Revaluation	0	0	(3,485)	7,472	(3,239)	(10,711)	-143.3%
NET INCOME	22,065	8,829	10,088	22,710	24,442	1,732	7.6%

Note: Prior years' presentation was adjusted for comparison.

STATEMENTS OF CASH FLOWS

	Increase Years Ended December 31					(Decrease) 95-96	
	1992	1993	1994	1995	1996	Amount	%
CASH FLOWS FROM OPERATING ACTIVITIES							
	(In Thousand Pesos)						
Cash received from member banks for assessments	348,574	999,906	1,264,025	1,601,530	2,036,665	435,135	27.17%
Income from savings deposits	3,715	327	871	709	339	(370)	-52.18%
Collections of interest on financial assistance	126,240	121,708	81,719	56,767	131,117	74,350	130.97%
Income from investments	446,748	600,228	430,953	762,288	1,414,016	651,728	85.50%
Collections of various receivables	30,649	3,439	2,170	1,299	1,796	497	38.24%
Collections from Subrogated Claims	8,289	3,725	1,660	4,045	8,084	4,039	99.84%
Miscellaneous income	252	838	631	653	2,731	2,078	318.28%
Various Inflows	17,723	44,615	3,437	0	1,582	1,582	-
Expenses incurred for R/L of closed banks	(1,539)	(2,495)	(3,424)	(4,229)	(4,184)	45	-1.07%
Payments to suppliers	(13,078)	(20,573)	(26,471)	(76,724)	(34,014)	42,710	-55.67%
Payments to employees	(58,431)	(34,194)	(48,983)	(73,183)	(112,267)	(39,084)	53.41%
Remittances to BIR, HDMF, GSIS, etc.	(15,025)	(14,181)	(18,704)	(27,778)	(27,605)	173	-0.62%
Final taxes and other prepaid expenses	(8,905)	(78,754)	(215,667)	(141,850)	(155,520)	(13,670)	9.64%
Payment of interest on BSP loans	0	(294,097)	(737,128)	(258,570)	(128,931)	129,639	-50.14%
Payment of insured deposits	(29,207)	(40,759)	(34,108)	(67,406)	(66,762)	644	-0.96%
Various Outflows	(15,455)	(5,136)	(3,517)	0	(15,804)	(15,804)	-
Net Cash Provided by Operating Activities	840,550	1,284,597	697,464	1,777,551	3,051,242	1,273,691	71.65%
CASH FLOWS FROM INVESTING ACTIVITIES							
Proceeds from matured investments	6,163,726	18,806,677	11,530,168	6,933,479	5,784,236	(1,149,243)	-16.58%
Gain from sale of investment	85	4,227	565	4,334	0	(4,334)	-100.00%
Collection of financial assistance granted to member banks	63,472	166,620	333,987	33,584	62,245	28,661	85.34%
Investments	(6,396,387)	(20,019,310)	(11,729,790)	(8,815,709)	(8,778,289)	37,420	-0.42%
Financial assistance granted to member banks	(320,000)	(5,000)	(825,000)	(75,000)	(270,000)	(195,000)	260.00%
Proceeds from sale of fixed assets	0	0	0	100	215,000	214,900	214900.00%
Capital expenditures	(79,344)	(46,960)	(8,001)	(2,287)	(10,757)	(8,470)	370.39%
Net Cash Provided by Investing Activities	(568,448)	(1,093,746)	(698,071)	(1,921,500)	(2,997,565)	(1,076,065)	56.00%
CASH FLOWS FROM FINANCING ACTIVITIES							
Borrowings from BSP for Financial Assistance	0	0	0	150,000	0	(150,000)	-100.00%
Payment of loans to CB-BOL/BSP	(274,400)	(225,000)	(25,213)	(1,000)	0	1,000	-100.00%
Equity from the National Government	0	48,725	0	0	0	-	-
Payment of dividend to National Government	0	0	(4,415)	(5,044)	(11,355)	(6,311)	125.11%
Prior Period Adjustment to Retained Earnings	(64)	(12,847)	35,484	(780)	(66)	714	-91.54%
Net Cash Provided by Financing Activities	(274,464)	(189,122)	5,856	143,176	(11,421)	(154,597)	-107.98%
Effect of Foreign Currency Revaluation	0	0	(3,485)	7,052	(3,562)	(10,614)	-150.51%
Net Increase in Cash	(2,362)	1,729	1,765	6,278	38,694	32,416	516.32%
Cash and Cash Equivalents at Beginning of Year	3,383	1,021	2,750	4,515	10,794	6,279	139.05%
Cash and Cash Equivalents at End of Year	1,021	2,750	4,515	10,794	49,488	38,694	358.49%
Net Increase in Cash	(2,362)	1,729	1,765	6,278	38,694	32,416	516.32%

Notes to Statement of Cash Flows:

- a) Prior years' presentation was adjusted for comparison.
- b) Cash balance includes all cash on hand and cash in bank balances. Time deposits and special savings deposits are classified as investments.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis for Recording

These financial statements are presented in accordance with the generally accepted accounting principles (GAAP) using, where applicable, modified cash and accrual methods. These statements do not include assets and liabilities of closed banks where the Corporation acts as receiver and liquidator.

Assessment Premium

Deposit insurance premium is collected semestrally, every January 31 and July 30. The semi-annual assessment rate is half of 1/5 of 1% of deposit liabilities as at end of the two preceding quarters. Interest and penalties for late payment of premium are recognized as income upon completion of audit of the Regular Certified Statements of deposit liabilities submitted by banks.

Financial Assistance

The Corporation may grant financial assistance to a member bank to prevent its closure. This assistance may be in the form of loans, purchase of assets, assumption of liabilities, and deposits in such insured bank provided such assistance is less costly than paying insured deposits in case the bank is rather closed.

Investments

Unutilized funds are invested in Treasury Bills, Notes and Bonds (both peso and dollar) and are recorded at cost. Income from these investments are accrued monthly over the term of the instrument. Final taxes paid upon placement are booked as Prepaid Taxes and amortized over the term of the placement.

Dollar-Denominated Investments

Dollar-denominated investments are carried at the value as at transaction date and revalued at the applicable exchange rate at year-end.

Adequacy of Insurance Reserves

The level of Estimated Insurance Losses is determined on an annual basis and reflects the best estimates of potential losses from risks of bank closures and losses from closed banks. There are two types of provision for losses booked:

- a) General provision called Estimated Insurance Losses intended to adequately cover possible losses from closures of member banks where insurance payments may exceed recovery of assets during liquidation of closed banks. In the past years, estimates of the amount of the annual provision were based mainly on past recovery/loss rates on subrogated claims (payments made by the Corporation on insured deposits). This has been constantly enhanced so that a new methodology of estimating insurance losses was implemented beginning CY 1996. The new method involves four basic steps:

1) assessment of risk of bank closures using as basis a watchlist which identifies and categorizes banks into degrees of probability of failure depending on type of banks, 2) estimating the historical recovery/loss rates on subrogated claims taking into account present value of claims receivable, 3) application of rate of loss on live banks identified in step 1 as having probability of closure, and 4) checking the estimated level of reserves arrived at in the first three steps against a benchmark ratio of reserves to total deposits;

- b) Provision for losses on Subrogated Claims Receivable (payments made by the Corporation on insurance claims) which is estimated using the average of the nominal and present value loss rates on each type of closed bank. Time value of amount to be recovered is being factored in to reflect the diminished value as a consequence of long liquidation process. Following are the loss rates used:

	<u>Nominal Rate</u>	<u>Present Value at 8%</u>
Rural Banks	55%	84%
Thrift Banks	40%	85%
Commercial Banks	30%	75%

Loss Carry Forward

As of end of 1996, the level of estimated insurance losses required is too high that it could not be absorbed fully by the 1996 operations. Thus, pursuant to Section 6 (d) of R.A. 3591, as amended, the excess of insurance losses over net assessment were carried forward to be applied on assessments becoming due in subsequent years.

Allowance for Uncollectible Accounts

Expenses incurred by the Corporation in performing its receivership and liquidation function are recoverable from closed banks (booked as Accounts Receivable - Receiver-ship and Liquidation). An allowance for probable losses on this account is booked, computed at 70% of total receivable outstanding at year-end in view of the insolvency of many banks at the time of closure.

Inventories

Inventories of supplies and materials, decals and standees, postage stamps and documentary stamps are recorded at cost and maintained based on first-in-first-out (FIFO) method.

Fixed Assets

Fixed assets are carried at cost and depreciated using the straight line method over the following estimated useful lives:

Computers	3 years
Furniture, Fixtures, Equipment, Vehicles	5 years
Building	25 years

Employee Benefit Plan

The Corporation has a contributory Provident Fund covering all employees. Employee contributions are set at 10% of basic salary while corporate share is at 45%. Corporate contribution is vested to the employee after completing a year of service in the Corporation. Membership to the Fund entitles an employee to avail of a housing loan and other credit facilities.

NOTE 2 - CASH ON HAND AND IN BANKS

This account includes the following:

	1995	1996
	(In Thousand Pesos)	
Cash on Hand	P 62	P 39,993
Cash in Bank - Principal Accounts	439	397
Cash in Bank - Settlement of Claims	4,393	3,572
Cash Deposit Transferee Banks	5,889	5,515
Due from BSP	11	11
Total	P 10,794	P 49,488

The Cash on Hand account includes Checks and Other Cash Items on hand amounting to P31,476.05 and P39,957,000 as at end of calendar year 1995 and 1996, respectively. Cash in Bank - Settlement of Claims and Cash Deposit Transferee Banks are funds for the payment of insured deposits of closed banks.

NOTE 3 - SHORT TERM INVESTMENTS

This account includes the following investments:

	1995	1996
	(In Thousand Pesos)	
Treasury Bills [¶]	P 4,639,234	P 881,711
Dollar Time Deposit [¶]	109,641	131,408
Total	P 4,748,875	P 1,013,119

[¶] This refers to government securities which are guaranteed as to principal by the Philippine government and are being issued by the Republic of the Philippines through the Bureau of Treasury with terms ranging from 91 to 364 days. PDIC holdings range from 358 to 364 days with interest rates of 13.77% to 14.1%.

[¶] These are placements of PDIC with LBP in time deposits with terms ranging from 112 to 120 days and interest rates of 6% to 6.375%.

NOTE 4 - OTHER CURRENT ASSETS

This account includes the following:

	1995	1996
	(In Thousand Pesos)	
Accrued Interest on Financial Assistance	P 44,371	P 20,244
Prepaid Expenses	40,749	2,088
Inventory of Supplies & Materials	1,383	1,154
Accounts Receivable	904	452
Due from Officers and Employees	420	3,725
Others	101	190
Total	P 87,928	P 27,853

Interest rates on the financial assistance granted to various banks range from 4% to 10% and interests due are booked under the Accrued Interest on Financial Assistance account, (please refer to Note 6). Prepaid Expenses consist largely of the prepaid taxes on investment in treasury bills. In 1996, PDIC shifted investments from short term to long term government securities, hence, the decrease in prepaid taxes by P38 million. The account Due from Officers and Employees consists largely of the overstatement in Provident Fund contribution resulting from the recomputation of salaries due to the accelerated implementation of Salary Standardization Law II.

NOTE 5 - LONG TERM INVESTMENTS

PDIC's long term investments are composed of peso and dollar denominated treasury bonds.

- (a) PDIC's investments in fixed rate treasury bonds (peso) amounted to P11.226 million with term of 2 to 10 years with coupon rates of 14.25% to 16% payable semi-annually.

- (b) In 1994 and 1995, PDIC invested in a dollar-denominated bond issued by the Republic of the Philippines known as Philippine Collateralized Interest Reduction Bond (PAR Bond). This is a 25-year bond issued on 01 December 1992 maturing 01 December 2017. The principal is fully collateralized by the US Treasury at zero coupon obligation. The US\$8 million PDIC PAR Bonds were purchased at costs from 56.875% to 62.25%, earning discount ranging from 37.75% to 43.125%.

NOTE 6 - OUTSTANDING FINANCIAL ASSISTANCE

This account consists of the following:

	1995	1996
	(In Thousand Pesos)	
Interest Bearing Notes		
Insular Savings Bank	P 272,000	P 240,000
Banco de Oro	10,293	-
Philippine Veterans Bank	79,804	59,852
Network RB of Southern Phils.	75,000	75,000
Westmont Bank (purchase of assets)	1,125,000	1,395,000
Non-interest bearing (CFIEP)		
Land Bank (CFI Enhance Program)	250,736	329,050
Total	P 1,812,833	P 2,098,902

NOTE 7 - SUBROGATED CLAIMS RECEIVABLE

This account refers to the claims of PDIC arising from payment of insured deposits of closed banks (referred to as Subrogated Claims Paid account in previous financial reports). On the other hand, the Subrogated Claims Receivable Assigned account represents the amount of subrogated claims assigned to BSP in exchange for notes receivable from banks that availed of the Countryside Financial Institution Enhance Program (CFIEP) which is administered jointly by PDIC, LBP and BSP. Receivable from LBP under Note 6 is due at the end of seven years from the date of asset swap and collections thereon will be used to redeem the subrogated claims assigned to BSP.

	1995	1996
	(In Thousand Pesos)	
Total Subrogated Claims Receivable	P 3,241,245	P 3,307,881
Less Recoveries	163,492	171,411
Subrogated Claims Receivable (Net of Recoveries)	3,077,753	3,136,470
Less Subrogated Claims Receivable -		
Assigned	250,736	329,050
Allowance for Losses	1,538,877	1,904,356
Net	P 1,288,140	P 903,064

NOTE 8 - FIXED ASSETS

This account includes the following:

	1995	1996
	(In Thousand Pesos)	
At cost:		
Land	P 26,206	P 26,206
Building	146,238	146,763
Furniture and Equipment	59,136	68,264
Total	231,580	241,233
Less: Accumulated Depreciation	55,613	67,370
Net Book Value	P 175,967	P 173,863

Depreciation expense amounted to P13 6 million and P12 9 million in 1995 and 1996, respectively

NOTE 9 - OTHER ASSETS

This account includes the following:

	1995	1996
	(In Thousand Pesos)	
Accounts Receivable:		
Various Closed Banks for Outstanding Financial Assistance ^a	P 158,084	P 158,084
Various Closed Banks for Receivership and Liquidation Expenses ^b	44,114	62,765
Provident Fund ^c	24,718	24,718
Other Banks - Assessment		
Deficiencies ^d	13,653	13,653
Sub-total	240,569	259,220
Others	4,680	4,174
Total	245,249	263,394
Less Allowance for Doubtful Accounts	168,963	183,569
Net	P 76,286	P 79,825

^a These are financial assistance granted to various banks which failed to recover and eventually closed. A 100% allowance was provided because these banks do not have enough assets to pay their obligations.

^b These are expenses incurred by the Corporation in performing its mandate as receiver and liquidator of closed banks. An allowance of 70% of the outstanding balance is provided in view of the low recovery rate on closed banks. (Please refer to Note 1)

^c This represents seed money given to the PDIC provident and housing fund (P11M) and car fund (P13.7 M)

^d These are long outstanding assessment deficiencies from BPI (P.84 M), RPB (P 14 M) and Citibank (P12.67 M) Negotiation for collection on-going

NOTE 10 - CURRENT LIABILITIES

This account includes the following:

		1995		1996
(In Thousand Pesos)				
Accrued Interest Payable to BSP	P	74,530	P	89,444
Accounts Payable-Variou		43,165		43,470
Others		85,410		79,559
Total	P	203,105	P	212,473

This obligation refers to the interest on loans payable to BSP due every 2nd day of July and payable up to 02 July 2013 (*please refer to Note 11*). The Accounts Payable-Variou refers to the amount due to suppliers/creditors. The following accounts are classified under Others: (a) Due to Officers and Employees (P43,062,933) consists largely of the estimated liability of the Corporation arising from the proposed implementation of a compensation scheme based on an OGCC opinion that PDIC is not covered by the Salary Standardization Law; (b) Provision for Retirement (P35,495,897); and (c) Accounts Payable - Perpetual Savings Banks (P1,000,000).

Fifty percent (50%) of the 1996 net income of P24.442 million shall be remitted to the national government in March and September of the following year as dividend, pursuant to R.A. No. 7656 dated 09 November 1992.

NOTE 11 - LONG TERM LIABILITIES

This obligation is composed of: (a) P1.521 billion 20-year loan from BSP at 8.5% maturing on 02 July 2013. Proceeds of these loans were used to service insurance claims in the 1980s; and (b) a three-year P150 million loan from BSP at 9.9% to mature on 27 April 1998.

NOTE 12 - OTHER LIABILITIES

This account includes the following:

		1995		1996
(In Thousand Pesos)				
Deferred Assessment Income ^a	P	69	P	77
Deferred Service Income ^b		0		3,221
Total	P	69	P	3,298

^a This refers to overpayment by banks of assessment premium creditable to subsequent assessment period

^b This represents the 20% supervision fee billed by the Corporation to the closed banks. In the past, this has been booked by the Corporation as income. However, starting 1996, recognition of income was deferred until actual collection since some closed banks fail to settle all their obligations

NOTE 13 - PERMANENT INSURANCE FUND

This is the total capital provided by the national government by virtue of R.A. 3591, as amended, from P2.0 billion to P3.0 billion in 1992. Part of the permanent insurance fund was a conversion in 1994 of the P977.79 million obligation of PDIC to the BSP into equity of the national government.

NOTE 14 - ASSESSMENT INCOME

This represents deposit insurance premium collected from member banks (*please refer to Note 1*). During the year, assessment premium collected were as follows:

		1995		1996
(In Thousand Pesos)				
Commercial Banks	P	1,436,391	P	1,804,663
Thrift Banks		127,931		182,317
Rural Banks		37,328		50,188
Total	P	1,601,650	P	2,037,168

NOTE 15 - CONTESTED BILLINGS

In compliance with Regulatory Issuance No. 92-1 regarding rules and regulations governing the posting of security deposit by banks with contested billings, the following banks have maintained escrow deposits with government banks as follows:

Name of Bank	Assessment Deficiency		Escrow Deposits		Trustee
	(In Thousand Pesos)				
Philippine Banks					
Rizal Commercial Banking Corp	P	899	P	899	LBP
Bank of the Phil Islands		979		977	LBP
Metro Bank & Trust Co		1,129		1,129	LBP
PNB-Republic Bank		643		643	PNB
Foreign Banks ^a					
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	

^a These foreign banks brought to court the issue on assessability of certain liabilities considered by PDIC as deposits. Case is still pending and escrow deposits have not been made



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The BOARD OF DIRECTORS

Philippine Deposit Insurance Corporation
Makati City

Pursuant to Section 2 of Article IX-D of the 1987 Philippine Constitution and pertinent provisions 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, 1996, 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 Corporation's management.


We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our Reports for Calendar Years 1993, 1994 and 1995, we did not express an opinion on the fairness of the presentation of the financial condition and results of operations of PDIC as contained in its financial statements. This is because of the practice of PDIC of setting up the provision for insurance losses in line with the then existing policy that the provision is based on "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 and upon evaluation of the President". On January 27, 1997 a Methodology "in determining the annual Provision for Insurance Losses to achieve adequate levels of insurance reserves" was approved by the Board of Directors of PDIC. We evaluated the Methodology in our effort to determine if the Provision for Insurance Losses resulting from its application is a fair estimate of Insurance Losses. We observed that it does not conform with the standards of financial accounting, (see Finding No. 1). Management were also unable to present an objective basis for the setting of the rates of probabilities of closures of banks and rate of recovery of commercial banks which could materially affect the amount of provision for insurance losses. The provision for insurance losses for calendar year 1996 amounted to P4.481 billion while the estimated insurance losses as of the end of the same year reached P8.572 billion.

Owing to the materiality of the amount involved on the matter discussed in the preceding paragraph, we do not express an opinion as to the fairness of the presentation of the balance sheet as of December 31, 1996 and the results of its operation for the year then ended.

COMMISSION ON AUDIT

By:


GEMILIANO V. MALOLES, JR.
State Auditor IV
Unit Head

April 21, 1997



PHILIPPINE DEPOSIT INSURANCE CORPORATION

August 28, 1997

MR. GEMILIANO MALOLES

Resident Auditor
Commission on Audit
PDIC

Dear Mr. Maloles:

This refers to the audit findings in your letter of April 1997 on operations of PDIC in 1996. We welcome the thoroughness of your findings and regret having to reiterate clarifications already made through extensive discussions with you to improve understanding and appreciation of issues at times complex.

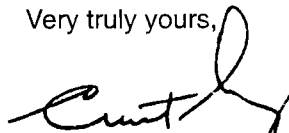
Your observations focused on two principal areas, namely, provisions for insurance losses and progress in liquidation of closed banks.

In provisioning for insurance losses, current management replaced past practice of setting aside 95% of income with a system adopted in 1994 involving assessment of the financial conditions of banks and assignment of failure probabilities differentiated in accordance with measures of insolvency. In developing the methodology for such analysis, we are acutely conscious of its limitation and refine the approach periodically as done in 1996. We are receptive to better ways for estimating insurance losses, but in absence of such alternatives, have to continue with current approach.

Progress in liquidation of closed banks was dismal indeed with modest recovery of assets from closed banks and no terminations until 1995. Undaunted by the large number of closed banks transferred from liquidation management of Bangko Sentral ng Pilipinas to PDIC, compounded by poor state of their bank records on top of new closures, current management caused changes in procedures and practices with support of a lean and dedicated staff resulting in better recoveries from closed banks, more distributions to creditors and at last terminated liquidations of a few banks.

We are pleased to include attached responses to your specific comments and recommendations with hope of advancing knowledge on operations of PDIC.

Very truly yours,



ERNEST LEUNG
President

Notes on Selected Indicators on the Banking System

A. ASSETS

1. **Cash and Due from Banks** - cash on hand, checks and other cash items, due from Bangko Sentral ng Pilipinas and due from banks.
2. **Net Loans** - sum of current loans, past due loans, and items in litigation, net of allowance for probable losses.
3. **Investments** - marketable securities, government securities, investments in bonds and other debt instruments, equity investments and underwriting accounts.
4. **Other Assets** - bank premises, ROPOA, bond sinking fund, deferred income tax, and other assets.

Bank Premises - cost of land, buildings and buildings under construction, and furniture, fixtures and equipment.

ROPOA (Real and Other Properties Owned/Acquired) - real and other properties, other than those used for banking purposes or held in the investment portfolio, acquired by the bank in settlement of loans and/or for other reasons.

Bond Sinking Fund - accumulated amount set aside from the redemption of issued and outstanding bonds.

Deferred Income Tax - income tax expense deferred in view of certain expenses or provisions for losses not currently deductible for income tax purposes.

Other Assets - gold bullion and foreign currency notes and coins on hand, foreign currency checks, returned checks, petty cash fund and documentary stamps and others.

B. LIABILITIES

5. **Deposits** - peso deposits, total foreign currency deposit unit, and total deposits in foreign offices.

FCDU (Foreign Currency Deposit Unit) - total deposits denominated in foreign currency.

Total Deposits in Foreign Offices - deposits in overseas branches of Philippine commercial banks.

6. **Borrowings** - Special Time Deposits and bills payable.

STD (Special Time Deposit) - non-interest bearing deposits used as security for IGLF (Industrial Guarantee Loan Fund) purposes.

Bills Payable - direct/negotiated borrowings obtained by the bank from local banks.

7. **Due to Head Office/Branches/Agencies Abroad** - inter-branch deposits which may be either demand or time deposit placements.
8. **All Other Liabilities** - accounts payable, dividends payable, other credits (dormant and unclaimed balances), withholding tax payable, SSS, Medicare, Employees' Compensation Premiums, PAG-IBIG contributions and subscriptions payable.

C. REVENUES

9. **Interest Income** - interest earned/and or actually collected from loans and discount, investments, deposits in banks, and other interest earning accounts.

Interest Income on Loans and Discount - interest earned and/or actually collected on loans and discounts.

Interest Income on Investments - interest earned/or actually collected on investments in securities issued by the government and/or private entities.

Interest Income on Deposit in Banks - interest earned and credited to the bank's demand and savings deposits and interest earned and actually collected on time deposits in other banks.

Interest Income on Others - interest earned and/or actually collected on all other accounts.

10. **Other Operating Income** - service charges/fees, bank commissions, professional fees, foreign exchange profit, equity in earnings of subsidiary/affiliates.

D. EXPENSE

11. **Interest Expense** - interest expense on deposit liabilities, borrowed funds, bonds payable and other items.

Interest Expense on Borrowed Funds - payments and/or monthly accruals of interest on the outstanding obligations of the bank.

Interest Expense on Bonds Payable - payments and/or monthly accruals of interest on issued and outstanding bonds.

Interest Expense on Others - payments and/or monthly accruals of interest other than on deposits and borrowed funds, such as the interest portion of amortization payments on the purchase of fixed assets on installment basis.

12. **Other Operating Expense** - compensation/fringe benefits, management and other professional fees.

E. OTHER INDICATORS

Net Interest Margin - computed as effective yield less intermediation cost.

Effective Yield - interest income or return, as a percentage of loans extended, net of gross receipt tax (GRT).

Intermediation Cost - interest expense as a percentage of paying liabilities.

BOARD OF DIRECTORS



Roberto F. de Ocampo^a
Chairman

As the Secretary of the Department of Finance, Mr. de Ocampo is concurrently the Chairman of the Board of Directors. Before his appointment as Finance Secretary, Mr. de Ocampo served as the youngest Chairman and Chief Executive Officer of the Development Bank of the Philippines.

He was voted 1997 Finance Minister of the Year by the Asiamoney Magazine, 1996 Asia's Best Finance Minister, and 1995 Best Finance Minister by Euromoney Magazine.

A Bachelor of Arts in Economics graduate of the Ateneo de Manila University, Mr. de Ocampo also holds a Master in Business Administration degree from the University of Michigan and was a Fellow in Development Administration of the London School of Economics.



Ernest Leung
Vice Chairman and President

Appointed as PDIC President in 1994, Mr. Leung serves as the Vice Chairman of the PDIC Board of Directors and Chairman of the Central Bank - Board of Liquidators. Prior to his PDIC appointment, Mr. Leung was Acting Secretary of Finance.

A Bachelor of Arts in Natural Science graduate of the Ateneo de Manila University, Mr. Leung obtained his Master of Arts degree in Development Economics from Williams College, USA, under the Ford Foundation Fellowship.



Gabriel C. Singson^b
Director

In July 1993, Mr. Singson was appointed as the first governor of the Bangko Sentral ng Pilipinas, formerly Central Bank of the Philippines, and Chairman of the Monetary Board. He joined the Central Bank of the Philippines in 1955 and rose to become Senior Deputy Governor. He left Central Bank in 1992 to assume the post of President of the Philippine National Bank.

He holds the distinction of being named as Central Bank Governor of the Year for two successive years, 1996 and 1997, by Asiamoney Magazine.

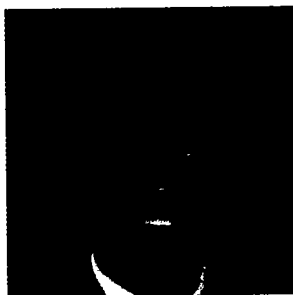
Mr. Singson obtained his Bachelor of Laws from Ateneo and garnered second place in the Philippine Bar examination. He received his Master of Laws from the University of Michigan as a Dewitt Fellow and Fulbright Scholar.



Alberto A. Pedrosa ^c
Director

Mr. Pedrosa is currently the editor of Eurostudy, a London-based publication which focuses on the international capital markets. He is responsible for the design and implementation of the computer system for the Eurostudy database. Prior to his appointment as PDIC Board Member, Mr. Pedrosa was the Philippine Ambassador to Belgium and to the European Union.

He earned his Bachelor of Arts degree at the University of the Philippines, and pursued postgraduate studies in public economics at the University of Paris.



Celso L. Dayrit ^d
Director

Mr. Dayrit is a Director and General Manager of the Sacobia Hills Development Corporation; and Director of Hesed Development, Inc. He served in various key positions in the credit card business of some of the major banks in the country: Vice President of the Bank of the Philippine Islands; General Manager of the BPI Express Card Corporation; Senior Vice President/Treasurer of the Philippine Commercial Credit Card Corporation of PCIBank; and Vice President of PCIBKard Incorporated.

Also active in sports, he is President of the Philippine Amateur Fencers Association, Executive Officer/Treasurer of the Asian Fencing Confederation, the only Filipino Director of the International Olympic Committee (IOC) Solidarity, and a member of the Philippine Olympic Committee. During his stint as Commissioner of the Philippine Sports Commission, he conceptualized the Philippine National games which was declared by President Fidel V. Ramos as the "centerpiece of the country's national sports development program".

Mr. Dayrit obtained both his Bachelor of Science in Business Administration and Master in Business Administration degrees from the De La Salle University.

-
- - In his absence, the Acting Secretary of the Department of Finance serves as Chairman
 - - In his absence, Deputy Governor Alberto V Reyes serves as alternate member
 - ° - Assumed January 1996
 - ° - Assumed February 1997

LIST OF OFFICERS

AS OF 31 DECEMBER 1996

President

ERNEST LEUNG

CENTER / OFFICE

Office of the President

Executive Vice President

CAESAR OCTAVIUS V. PARLADE

Office of the Executive Vice President

Senior Vice President

NIEVELENA V. ROSETE

Corporate Services

Vice Presidents

ELEANOR L. ATIENZA

Human Resource & Internal Services

AURORA C. BALDOZ
 CATHERINE F. BAMBA
 RESCINA S. BHAGWANI
 MA. ELENA E. BIENVENIDA
 EULOGIA M. CUEVA
 ARMANDO L. QUILALA
 FLORDELIZA F. RAMOS
 ELENITA B. VIDAL

Management (HR&ISM)
 Claims, Receivership & Liquidation II (CRL- II)
 Special Services
 Special Actions and Assistance Group
 Finance
 Legal Services
 Management Control
 Insurance & Bank Performance Monitoring
 Claims, Receivership & Liquidation I (CRL - I)

Department Managers III

ESTHER LILY JEANNE Q. ACEÑA
 GERONIMO V. AMBE
 MA. JOJI V. ARAGON
 SANDRA P. ARCE
 JOSEFINA G. COLIGADO
 TEODORO E. GALLARDO
 TERESITA D. GONZALES
 NOEMI R. JAVIER
 JOCELYN J. NEPOMUCENO
 GLORIFICACION M. NOCOS
 RODANTE G. PINEDA
 FLORDELIZ C. PORSOVIGAN
 CRISTINE C. REMOLLO
 PABLO Y. ROMERO, Jr.
 BENJAMIN M. SALES, Jr.
 JESUS G. SERRANO
 EDITA D. VILLAR
 MA. ANA CARMELA L. VILLEGAS

Human Resource Management
 Field Examination I
 Client Services and Information
 Field Examination II
 Treasury
 Claims Settlement
 R & L Asset Administration and Recovery 2
 R & L Asset Administration and Recovery 1
 Insurance
 Accounting
 Information Technology
 Presettlement Examination
 Legal Services for Operations
 R & L Litigation
 Bank Performance Monitoring
 Corporate Litigation
 R & L Settlement
 Financial Assistance Management

Assistant Department Managers II

FERNANDO S. ABADILLA
 EDGAR C. ANTE
 ZENAIDA P. BAUTISTA
 FERDINAND M. BELUAN
 MA. ANTONETTE I. BRILLANTES
 MERLIE M. CAÑAVERAL
 VICTORIA M. CANCINO
 PIO B. CHAN
 ALBERTO M. CRUZ
 LEVY C. CRUZ
 SERAFIN A. FULE, Jr.
 MA. TERESA H. GARCIA
 ANITA R. GONGON
 TEODORO JOSE D. HIRANG
 FILOMENA E. JONGCO
 RAMON A. MAAMO
 BENEFICO M. MAGDAY
 VIVENCIO M. MANIAGO
 JOSETTE SONIA H. MARCILLA
 ANTONIO V. MARQUEZ
 ANGEL B. OBRERO
 ELIZABETH E. OLLER

Legal Services for Operations
 Appraisal and Other R/L Support Services (AOSS)
 Internal Services Management
 R & L Takeover
 R & L Litigation
 Treasury
 Presettlement Examination
 Investigation
 R & L Settlement
 R & L Asset Administration and Recovery 2
 Field Examination I
 CRL - I
 Field Examination I
 R & L Takeover
 Management Control
 AOSS
 R & L Asset Administration and Recovery 1
 Claims Settlement
 Legal Services for Administration
 R & L Asset Administration and Recovery 1
 R & L Asset Administration and Recovery 1
 CRL - Data Center

RENATO N. PULIDO
ELISEO R. RAMALLOSA
FELY D. REYES
LOLITA D. REYLLLO
IMELDA R. SALGADO
JOSEFINA J. VELILLA
ZENaida A. VILLAROMAN

Corporate Executive Officer III
ESTER B. BINALLA

Corporate Executive Officers II
ROSARIO F. ADVIENTO
VICTORIA P. MARTINEZ
EUSTAQUIA M. QUITEVIS

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RICARDO D. ANTONIO
NICANORA H. BAG-AO
CARLITO B. BANAAG
ROSENDA L. BARRIL
MA. TERESA B. CABRERA
AURAMAR DE ONON-CALBARIO
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ELMER JUAN C. HABER
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RAFAELITA M. JAMON
ZOSIMA D. LACONSAY
FLORANTE D. LUCOS
ALTEO C. MALABUYOC
MA. VICTORIA L. MOYA
QURALENE P. PATALINGHUG
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RIZALINA I. REPEDRO
MA. CARMEN ROSARIO Z. RESITAS
MA. THERESA B. SALCOR
ARACELI H. TABAC
BERNARDO D. TABUGADER
VICENTE T. DE VILLA III

Attorney IV
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MARIE HAZEL V. CIRIACO
MA. LOLITA S. LIBUNAO
NOLA OLYMPIA J. SILERIO
NANCY L. SEVILLA
LUISITO Z. MENDOZA

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ANNE CLAIRE C. CABOCHAN
MELVYN M. GONZALES

Chief Research Specialist
JOSE G. VILLARET, Jr.

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

Chief Account Management Specialist
SIMEON B. KASALA, Jr

R & L Asset Administration and Recovery 1
Failure Resolution
Accounting
Field Examination II
R & L Asset Administration and Recovery 2
Financial Assistance Management
Management Control

Office of the President

Human Resource Management
Office of the Corporate Board Secretary
Internal Services Management

Bank Performance Monitoring
Investigation
CRL - Data Center
Management Control
Claims Settlement
Insurance
Client Services and Information
CRL Data Center
R & L Asset Administration and Recovery 2
R&L Settlement
Field Examination I
Information Technology
R&L Takeover
Failure Resolution
Bank Performance Monitoring
Planning
R&L Asset Administration and Recovery 1
R&L Asset Administration and Recovery 2
Field Examination I
R&L Takeover
Management Control
Treasury
R&L Settlement Center
Office of the Executive Vice President
Office of the Vice President - CRL I
Human Resource Management
R&L Asset Administration and Recovery 1
Office of the President

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

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

Planning

Accounting
Accounting
Human Resource Management
Office of the Vice President - HR & ISM
Internal Services Management
Accounting
Treasury

Provident Fund

AFFILIATED ORGANIZATIONS

Provident Fund Office

MA. ELENA E. BIENVENIDA *Chairman*
 EULOGIA M. CUEVA *Vice Chairman*
 JOCELYN J. NEPOMUCENO *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*
 ISMAEL C. SANTILLAN *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*

