1999 ANNUAL REPORT

PHILIPPINE
DEPOSIT
INSURANCE
CORPORATION

T A B L E O F C O N T E N T S

PHILIPPINE DEPOSIT INSURANCE CORPORATION

NORBERTO C. NAZARENO
President & Chief Executive Officer

June 2000

HIS EXCELLENCY
PRESIDENT JOSEPH E. ESTRADA
Malacañan Palace, Manila

Through: Honorable JOSE T. PARDO
Secretary, Department of Finance and
Chairman, PDIC Board of Directors

Dear Mr. President:

I respectfully submit the 1999 Annual Report of the Philippine Deposit Insurance Corporation. The Report highlights the accomplishments of the Corporation in strengthening and maintaining confidence in the Philippine banking system.

Under His Excellency's leadership, the PDIC Board, management and staff confidently face the challenges of the millennium as they pledge their dedication and commitment to effectively and efficiently implement the Corporation's mandate towards better depositors' protection leading to greater confidence in our banking system.

Very truly yours,

PHILIPPINE DEPOSIT INSURANCE CORPORATION

NORBERTO C. NAZARENO
President & Chief Executive Officer

June 2000

Honorable FRANKLIN M. DRILON
President of the Philippine Senate

Honorable MANUEL B. VILLAR
Speaker of the Philippine House of Representatives

Through: Honorable JOSE T. PARDO
Secretary, Department of Finance and
Chairman, PDIC Board of Directors

Dear Sirs:

I have the honor to submit the Annual Report of the Philippine Deposit Insurance Corporation for the year 1999, pursuant to the provision of Section 15 of Republic Act 3591.

On behalf of the directors of the PDIC Board, management and staff, I thank you for your support to the banking industry and look forward to fostering closer relations with you towards greater depositors' protection.

Very truly yours,

MESSAGE FROM THE NEW PRESIDENT

After more than thirty years in the private banking sector, I am glad to be given the opportunity to serve the government in my capacity as President and Chief Executive Officer of the Philippine Deposit Insurance Corporation.

I salute the past Board and Management of PDIC for having left a very financially stable corporation with a dedicated and diligent staff.

As incoming President, I shall build on what has been started and will continue to innovate to further enhance delivery of services specially in further shortening the period between bank closure and start of payment of claims for insured deposits. We shall further enhance our role not only as insurer of deposits thereby giving more confidence to our banking system, as receiver and liquidator of closed banks, but also our role in strengthening banks through our financial assistance programs especially in the aftermath of the Urban Bank financial fiasco.

With the support of the banking community, the government under the leadership of His Excellency President Joseph E. Estrada and the commitment of the PDIC Board of Directors, our Chairman, Honorable Secretary Jose T. Pardo and his alternate Honorable Undersecretary Florencia G. Tarriela, our directors, Honorable Governor Rafael B. Buenaventura and his alternate Honorable Deputy Governor Alberto V. Reyes, Honorable Cesar U. Querubin, and Honorable Cesar S. Arnaldo, and the PDIC staff, I look forward to meeting the challenges and opportunities that will bring about a stronger PDIC for greater depositors' protection and stability in the banking system.

NORBERTO C. NAZARENO
President and Chief Executive Officer
effective 01 April 2000

PRESIDENT'S REPORT

After an accelerated expansion of the country's banking system, banking institutions were stressed by the regional financial crisis that began in 1997. Loan portfolios of banks severely deteriorated as clients were strained by high debt servicing due to the sharp peso depreciation and high interest rates. As a result, a number of banks failed and eventually closed unduly denying thousands of depositors access to their funds. From 1994 to 1999, the Monetary Board ordered the closure of one commercial bank, 11 thrift banks and 106 rural banks.

The Corporation continues to innovate to enhance its delivery of services especially in streamlining claims processes and procedures to alleviate the plight of depositors of closed banks. The average period between bank closure and start of claims payment was significantly shortened from nine months to four months through constant improvements in strategies despite limitations in manpower resource. The process of claiming insured deposits was facilitated by the simplification of documentary requirements, particularly for depositors with small balances. Cash payments made at the site for insured deposit claims were increased from P200.00 to P1,000.00. Information dissemination schemes were rationalized to reach target depositors and through continuing networking with local communities. An emergency pay-out facility was also implemented allowing payment of insured deposits even before the start of claims settlement operations under meritorious cases. Processing time in servicing claims for insured deposits can be further shortened if regulators can have access to deposit records during examination, to foster accurate and timely entries. Good maintenance of deposit records will enable prompt servicing of claims, eliminating tedious verification of accounts in the event of closure.

Total number of banks placed under PDIC receivership/liquidation increased from 246 as of yearend 1993 to 364 as of yearend 1999. The Corporation's liquidation efforts were constrained severely by data and manpower limitations, rigidities in the Commission on Audit's rules, as well as regulation preventing early disposal of assets of a closed bank during receivership period. To accelerate termination of liquidation, PDIC adopted the partial distribution of liquid assets to creditors of closed banks. From 1995 to 1999, partial distribution plans of nine banks and final distribution plans of two banks were approved by the courts. In 1999, the wholesale transfer of the assets and liabilities of one rural bank closed in 1984 to a group of investors effectively terminated the liquidation of the bank.

The Corporation's capacity to meet losses arising from closure of banks strengthened as total insurance reserves expanded from P6.95 billion in 1994 to P23.41 billion in 1999, posting an average annual growth rate of 33.8 percent. This was primarily due to increases in assessment collection and income from investments. The growth of investment income was attributed to shift to higher yielding, longer tenor instruments starting 1994 where before 100 percent of funds in excess of operational requirements was invested in short-term instruments. By 1999, 95.5 percent of investments was in fixed rate treasury notes and bonds. To augment liquidity needs, PDIC availed of the credit facilities of the Land Bank of the Philippines without sacrificing higher yields on investments.

PRESIDENT'S REPORT

As a government corporation, PDIC recognizes its role in contributing to the Government's financial resources. For the past six years, PDIC remitted to the Government P2.20 billion in final taxes on investments and local taxes, P54.61 million in dividends, and P67.79 million in taxes on suppliers and salaries of PDIC employees. In 1994, PDIC returned to the Government the amount of P15.85 million equivalent to the special fund created by Congress to pay the depositors of eight banks closed in 1969. The Corporation also pursued the immediate remittance of taxes withheld on interest income on insured deposits paid beginning in 1996 in the amount of P4.32 million.

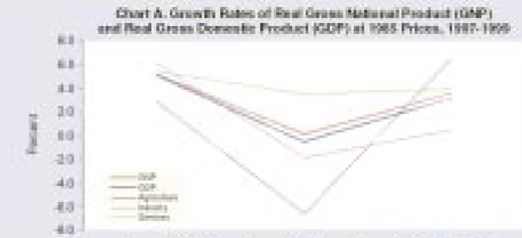
Equally important to effectively carry out its mandate is PDIC's pursuit to improve its existing structure and develop human resources. In 1997, the Corporation began a restructuring plan towards a streamlined and rationalized organizational structure. Along with efforts in constantly updating knowledge and upgrading skills, a competitive compensation structure was adopted in 1999 enabling the Corporation to motivate and retain personnel possessing well-grounded technical and managerial expertise.

Learning from its rich experience and working towards a strong legal framework and closer coordination with BSP, PDIC is better equipped to face greater challenges in the coming years.

ERNEST LEUNG
President
04 February 1994 to 31 March 2000

Economic Performance

The Philippine economy recovered in 1999 from the adverse effects of regional currency crisis and El Niño-induced drought as gross national product (GNP) in real terms grew to 3.6 percent from only 0.1 percent in 1998. Strong inflows of earnings from abroad complemented the expansion of domestic production during the year. Agriculture led the recovery among production sectors with higher yields in palay, sugarcane and corn, a result of improved weather conditions and provision by the government of more support infrastructures. Industry pulled through from a previous contraction mainly due to rebound in manufacturing and sustained positive growth in utilities sub-sector. Services consistently grew primarily because of continued gains in wholesale and retail trade, which comprise a third of the sector (Chart A).



	1997	1998	1999
GNP	5.2	0.1	3.6
GDP	5.2	-0.5	3.2
Agriculture	2.9	-6.6	6.6
Industry	6.1	-1.9	0.5
Services	5.4	3.5	3.9

Economic recovery was triggered by increased expenditures of both government and private sectors. Government stirred growth by accelerating public expenditures, incurring a higher budget deficit financed by domestic and foreign borrowings. Personal consumption expenditures managed to rise with higher per capita income and lower inflation rate.

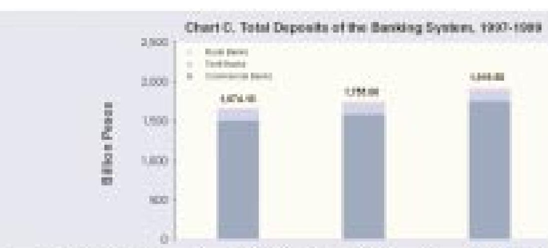
The favorable external trade balance also boosted the country's economic performance. Exports exceeded imports as global demand for electronic products surged while local demand for capital goods remained weak. The continued slack in domestic capital formation, however, should be addressed and domestic demand strengthened if recovery is to be sustained.

Financial Condition and Performance of the Banking System

The resumption of economic growth mirrored a modest expansion in the banking system. Total assets of banks increased from P2.78 trillion in 1998 to P2.95 trillion in 1999, a growth of 6.4 percent from only 0.2 percent previously. Asset growth of commercial banks overturned from negative 0.1 percent in 1998 to positive 6.9 percent in 1999. Resources of thrift and rural banks also grew although tapering from 2.9 and 5.9 percent in 1998 to 2.4 and 0.5 percent in 1999, respectively (Chart B). Gross loans increased by 2.3 percent led by loans to manufacturing and financial institutions, real estate and business services group. Inspite of lower interest rates, however, loan expansion was moderated by weak corporate demand and reluctance of banks to extend fresh credit.

Bank Type	1997	1998	1999
Commercial Banks	2,509.43	2,506.31	2,679.58
Share to Total	90.8%	90.3%	90.7%
Thrift Banks	204.03	209.88	214.99
Share to Total	7.4%	7.6%	7.3%
Rural Banks	56.35	59.67	59.99
Share to Total	2.0%	2.1%	2.0%

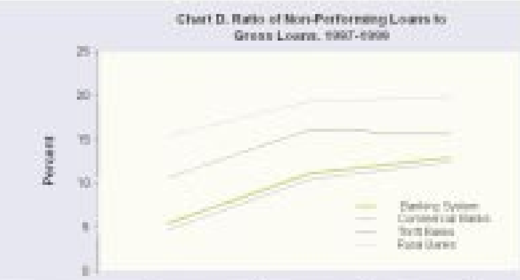
The increase in assets was funded principally by stronger deposit generation. Total deposits rose by 9.4 percent to P1.92 trillion in 1999 from P1.76 trillion in 1998, with increased per capita income, renewed depositor confidence in banks and reluctance for direct investments. Deposits in commercial banks accelerated by 10.5 percent during the year from 5.6 percent in 1998 and deposits in thrift banks rebounded by positive 0.1 percent from negative 2.8 percent



Bank Type	1997	1998	1999
Commercial Banks	1,502.22	1,586.09	1,752.03
Share to Total	89.7%	90.4%	91.3%
Thrift Banks	135.50	131.71	131.88
Share to Total	8.1%	7.5%	6.9%
Rural Banks	36.36	37.17	35.56
Share to Total	2.2%	2.1%	1.9%

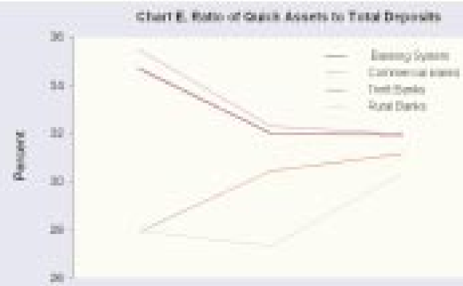
for the same reference period (Chart C). Dampening the increase of deposits in thrift banks was the closure of two (2) banks during the year which offset the deposit contribution of three (3) banks newly opened. On the other hand, deposits in rural banks contracted by 4.3 percent in 1999 from a growth of 2.2 percent in 1998 mainly due to the closure of 31 rural banks. Nevertheless, total bank closures had insignificant impact on the system since their combined resources accounted for only 0.15 percent of the system's total assets.

Banks continued to be burdened with asset quality problems, although this was tempered by a more stable macroeconomic environment. Non-performing loans (NPLs) grew by 19.0 percent in 1999, significantly slower compared to the 99.7 percent expansion in the previous year. However, with NPLs growing faster than gross loans, past due ratio inched up although minimally from 11.0 percent to 12.9 percent (Chart D). To address rising NPLs, banks continued to restructure loans and foreclose properties although at a slower pace. By year-end, gross problematic assets[1] of the banking system reached P401.60 billion from P293.22 billion in 1998, a milder increase of 37.0 percent compared to the 120.0 percent growth recorded in the previous year. The ratio of gross problematic assets to total assets increased, although moderately by 3 percent from 10.6 percent to 13.6 percent. Likewise, allowance for probable losses decelerated but with slower expansion in gross loans, coverage over gross loans increased to 5.7 percent compared to 4.0 percent in 1998.



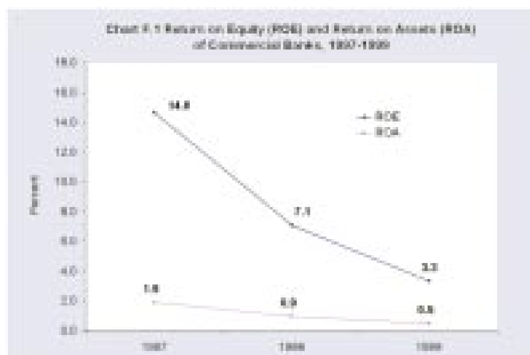
Bank Type	1997	1998	1999
Banking System	5.4	11.0	12.9
Commercial Banks	4.7	10.4	12.4
Thrift Banks	10.7	16.1	15.6
Rural Banks	15.3	19.2	19.9

The bearish sentiment towards lending resulted in a large portfolio of liquid assets among banks. Liquidity, measured in terms of the ratio of quick assets to total deposits, hovered at around 30 percent across bank groups by year-end, with improvement for thrift and rural banks year-on-year, while that of commercial banks slid slightly (Chart E). Government securities and accounts due from banks constituted the bulk of the industry's liquid assets.



Bank Type	1997	1998	1999
Banking System	34.7	32.0	31.9
Commercial Banks	35.3	32.3	32.0
Thrift Banks	27.9	30.4	31.2
Rural Banks	28.9	27.3	30.4

In terms of profitability, the industry reflected the deteriorating performance of commercial banks as they dominated the system, while profitability of thrift and rural banks improved. Net income before tax of commercial banks was recorded at P12.03 billion, a further deterioration at 48.9 percent following a contraction of 44.0 percent for 1998. The drop in earnings was largely accounted for by lower net interest income arising from narrower bank spread and margin. The decline in net interest income outweighed the gains from higher other operating income and lower other operating expense. As a result, returns on equity (ROE) and assets (ROA) of commercial banks were reduced to 3.3 percent and 0.5 percent in 1999 from 7.1 percent and 0.9 percent in 1998, respectively (Chart F.1).



[1] Sum of past due loans, items in litigation, restructured current loans and foreclosed properties (ROPOA).

On the other hand, thrift and rural banks registered net earnings before tax of P1.40 billion and P752.16 million, respectively, in 1999. While net earnings from operation of thrift and rural banks were largely dampened by thinning spreads and margins, extraordinary income earned largely from assets sold/exchanged grew robustly which increased their net income before tax at a higher rate compared to that of previous year. Thrift banks' ROE improved to 3.5 percent from 1.2 percent, while ROA moved up to 0.7 percent from 0.2 percent (Chart F.2). Rural banks' ROE also inched up to 8.0 percent from 7.5 percent and ROA to 1.3 percent from 1.1 percent (Chart F.3).

Amidst difficulties of resolving asset problems, the banking system remained resilient, as supported by continued capital build-up, mergers and consolidations. Total capital of banks increased by 10.2 percent from P389.80 billion in 1998 to P429.47 billion in 1999, driven by higher statutory capital requirements. Capital to risk assets ratios of commercial banks (15.4 percent), thrift banks (22.0 percent) and rural banks (18.0 percent) remained above the local standard of 10.0 percent (Chart G).

Greater focus on resolution of problem assets, mergers and consolidations, and continued capital strengthening pursued by banks during the year increase the industry's capacity for stronger performance in the future. This prospect is supported by expectation of continuing stability in the country's macroeconomic environment and the restoration of growth and stability in Asia. The industry is also expected to benefit from the passage of banking laws[2] aimed at promoting greater efficiency through more effective banking supervision. Crucial in realizing these bright prospects both in the economy and the banking system is the strengthening of investor confidence in the country. This demands strong commitment to sound macroeconomic policies, rigorous pursuit of economic goals and strict enforcement of reforms with no room for complacency.

Chart F.2 Return on Equity (ROE) and Return on Assets (ROA) of Thrift Banks, 1997-1999

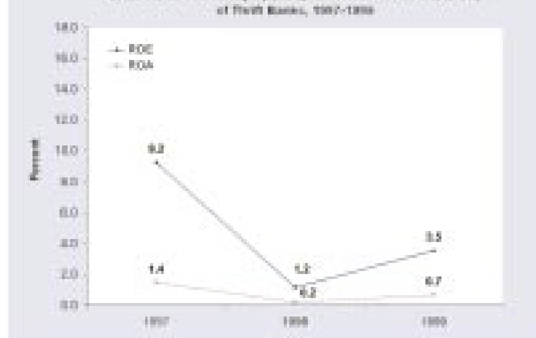


Chart F.3 Return on Equity (ROE) and Return on Assets (ROA) of Rural Banks, 1997-1999

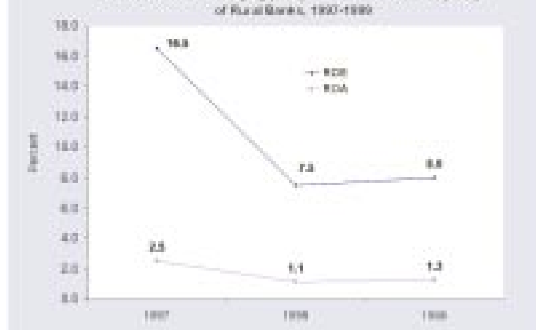
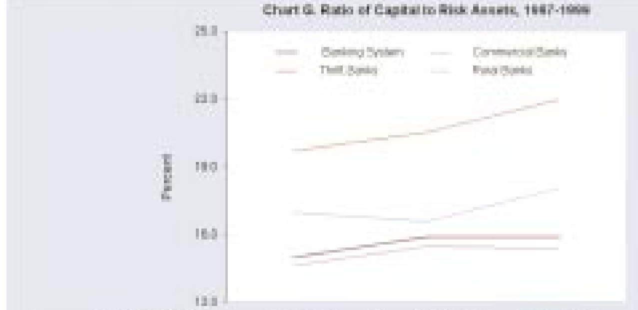


Chart G. Ratio of Capital to Risk Assets, 1997-1999



Bank Type	1997	1998	1999
Banking System	15.0	15.9	15.9
Commercial Banks	14.6	15.5	15.4
Thrift Banks	19.7	20.5	22.0
Rural Banks	17.0	16.6	18.0

[2] The New General Banking Act was enacted into law in May 2000 while scheduled for deliberation are amendments to the charters of Bangko Sentral ng Pilipinas (BSP) and PDIC.

Table A. SELECTED INDICATORS ON THE PHILIPPINE BANKING SYSTEM, 1997-1999

Amounts in Billion Pesos

Indicators	1997	1998	1999
Statement of Condition			
Assets	**2,769.81**	**2,775.86**	**2,954.55**
Quick Assets[1]	580.97	562.45	612.28
Net Loans	1,711.45	1,643.24	1,651.17
Gross Loans	1,750.40	1,712.07	1,751.56
Current	1,655.66	1,522.87	1,526.33
Non-Performing Loans[2]	94.75	189.20	225.23
Allowance for Probable Losses	38.96	68.83	100.39
Investments in Bonds and Other Debt Instruments-Others	131.98	170.37	168.68
Equity Investments	51.27	63.39	70.75
Underwriting Accounts	1.67	2.75	0.26
Bank Premises	74.86	82.28	93.96
Real and Other Properties Owned or Acquired (ROPOA)	26.28	62.02	120.20
Deferred Income Tax	8.90	16.98	25.29
Other Assets	182.43	172.39	211.96
Liabilities	**2,406.39**	**2,386.06**	**2,525.04**
Deposits	1,674.08	1,754.97	1,919.45
Borrowings	428.03	343.54	361.22
Other Liabilities	304.28	287.55	244.37
Capital	**363.42**	**389.80**	**429.47**
Income & Expenses			
Net Interest Income	**111.61**	**119.57**	**97.46**
Interest Income	259.23	295.85	235.94
Interest Expense	147.62	176.28	138.47
Net Other Operating Income/(Loss)	**(71.01)**	**(102.86)**	**(92.45)**
Other Operating Income	43.02	41.87	50.71
Other Operating Expense	114.03	144.73	143.16
Net Non-Operating Income/Expenses	**5.55**	**7.91**	**9.17**
Net Income Before Tax	**46.15**	**24.61**	**14.18**
Provision for Income Tax	3.97	2.67	2.40
Net Income After Tax	**42.18**	**21.95**	**11.78**
Selected Ratios (%)			
Profitability			
Net Income Before Tax/Average Total Capital (ROE)	14.2	6.5	3.5
Net Income Before Tax/Average Total Assets (ROA)	1.9	0.9	0.5
Net Interest Income/Average Earning Assets[3] (Net Interest Margin)	5.3	5.1	4.2
Effective Spread on Loans (Yield on Loans - Deposit Cost)	6.5	6.5	5.6
Efficiency Ratio [(Other Operating Expense + Provisions for Loan Losses) / (Net Interest Income + Other Operating Income)]	73.7	89.6	96.6
Asset Quality			
Non-Performing Loans / Gross Loans	5.4	11.0	12.9
Loan Loss Provision / Gross Loans	2.2	4.0	5.7
Non-Performing Assets[4] / Total Assets	4.4	9.0	11.7
Gross Problematic Assets [5] / Total Assets	4.8	10.6	13.6
Liquidity			
Quick Assets / Total Deposits	34.7	32.0	31.9
Gross Loans / Total Deposits	104.6	97.6	91.2
Capital Adequacy			
Capital/Risk Assets[6]	15.0	15.9	15.9
Capital Formation Rate[7]	13.0	7.4	6.0
No. of Member Banks	979	990	971

* Covers PDIC member banks and their overseas branches.

1 Comprised of cash on hand, cash and other cash items(COCI), due from BSP, due from banks, marketable securities, available securities for sale and investments in bonds and other debt instruments (IBODI) - government.

2 Comprised of past due loans and items in litigation.

3 Earning assets comprised of due from BSP, due from banks, marketable securities, IBODI, equity investments, underwriting accounts and current loans.

4 Include past due loans, items in litigation and ROPOA.

5 Include past due loans, items in litigation, ROPOA, and restructured current loans.

6 Capital is net of appraisal increment reserves and deferred income tax; Risk assets comprised of total assets less non-risk assets. Non-risk assets comprised of cash on hand, due from BSP, due from banks, tradable account securities-investment, available securities for sale -government, IBODI-government, bank premises and deffered income tax.

7 Capital Formation Rate = (Surplus Reserves + Undivided Profits) / Average Capital.

BANK SUPERVISION

PDIC conducts both off-site monitoring and on-site examination of banks to safeguard depositors' interest through the early detection and resolution of emerging problems. Through off-site monitoring, potential problems are identified and corresponding measures to be undertaken determined. Initial findings from off-site monitoring are validated through on-site examination where deeper insight into the problems is gained.

The Corporation also grants financial assistance to distressed member banks to protect depositors and to maintain stability in the banking system.

Off-site Monitoring

The timely generation of information on banks has always been a major objective of the Corporation for more effective monitoring and supervision. Member banks are required to submit reports to the Corporation on specified frequency and deadline. For the past year, the Corporation has been exerting effort to improve rate of compliance of member banks to report submission. Compliance rate is measured by the number of reports submitted over the number of expected reports. Letter reminders are sent, as well as follow-up calls made, to member banks for proper guidance. Based on quarterly submission of reports, compliance rate has been steadily improving from 90.0 percent in December 1998, 91.4 percent in March 1999, and 93.0 percent in June 1999.

In September 1999, the period for report submission was aligned with that of the Bangko Sentral ng Pilipinas (BSP) through the implementation of a regulatory issuance providing for a change in deadline for report submission and sanctions and penalties for late submission of required reports. The deadline for submission of reports was shortened to 15 banking days after reference period from 20 banking days with five-calendar day grace period. Initial results showed lower compliance rate, but this is likely to improve as banks are expected to adjust to the shorter compliance period.

Processing time of reports improved with the full operation of the enhanced Bank Performance Monitoring System (BPMS) in the latter part of 1998. Generation of reports was shortened by about 2 to 3 weeks, from more than 3 months after the reference period to an average of 2 months and 2 weeks.

The Corporation's surveillance system was also further strengthened with the adoption of additional measures in identifying and classifying potential problem banks. In contrast to the previous indicator system which identified banks already in distressed condition for watchlisting, a more comprehensive surveillance process was established whereby banks are ranked into different categories depending on performance quality and degree of perceived risk of closure. The system of rating is mainly based on quantitative and qualitative criteria measuring capital adequacy, asset quality, earnings, liquidity, and strength of management and internal control. This process of grouping is a semestral exercise that is also an integral basis for setting aside reserves for estimated insurance losses of banks at risk of closure. Such groupings also identify the level of supervisory or regulatory action required to resolve identified problems, which may involve mere close off-site monitoring, on-site examination, or failure resolution/rehabilitation. Financial reports submitted by banks identified for closer monitoring are further analyzed to identify specific risk areas in operation. During the year, off-site analyses were done on 13 banks belonging to this group.

Initiatives are being undertaken to enhance existing monitoring of bank performance taking into account, aside from financial indicators, a more in-depth qualitative analysis focused on risk assessment.

On-Site Examination

On-site bank examinations are conducted to complement examinations of the BSP, as well as supplement off-site monitoring by validating and updating reports submitted periodically by member banks. Through on-site examination, PDIC is afforded the opportunity to assess firsthand, risks assumed by specific banks and the emerging trends in the banking system as a whole.

In 1999, regular on-site examinations were conducted on two commercial banks, 18 thrift banks and 20 rural banks, with total insured deposits amounting to P8.21 billion. These include joint examinations conducted with BSP on one commercial bank and two thrift banks.

With the government's policy of encouraging bank mergers or consolidations and with the need for PDIC's written consent in bank mergers or consolidations as mandated in its Charter, three applications were received and evaluated during the year. The applications involved two expanded commercial banks, three regular commercial banks and one thrift bank, i.e., Equitable Banking Corporation with Philippine Commercial International Bank, Prudential Bank with Pilipinas Bank, and DBS Commercial Bank with DBS Savings Bank.

The Corporation continues to learn from international best practices. The recommendations of consultants engaged under the Asian Development Bank Technical Assistance (ADB TA) grant were evaluated and subsequently some were adopted. These included recommended changes to the Report of Examination, ranging from format revisions and refinements to enhancements in other aspects of examination procedure to improve efficiency and effectiveness in meeting the Corporation's specific needs.

To enhance examination skills, the Corporation also availed of internal and external training programs funded under the ADB TA grant. Arrangements were also firmed up for a joint PDIC-BSP training workshop/seminar on bank and credit risk analysis[3] to be conducted in Manila in February 2000 by the Federal Reserve Bank of San Francisco.

The need for stronger coordination and cooperation among the various entities in the banking system has become more evident given growing competition in the industry. For its part, PDIC conducts regular meetings with the Chamber of Thrift Banks and Rural Bankers Association of the Philippines to discuss various issues affecting the system. Harmonization of examination standards and joint examination with BSP are being pursued for more consistent examination approaches and regulatory interventions.

Management of Distressed Banks

In resolving problems of distressed banks, PDIC conducts surveys (limited examinations) and holds conferences with banks' management to update information on identified risk areas determined during off-site analysis, as well as discuss remedial measures required to arrest banks' deteriorating condition.

During the year, the Corporation held conferences with management of 16 rural banks. Surveys on 12 other rural banks were also conducted, of which nine banks were referred to BSP for prompt corrective action (six banks due to failure to meet required level of capital and three for inability to service withdrawals and pay salaries of employees). The remaining three banks were recommended to the Monetary Board for closure, together with three other rural banks surveyed in 1998, and two more rural banks found insolvent based on off-site examination conducted during the year. Of the eight banks referred for closure consideration, five banks with estimated 10,563 deposit accounts amounting to P63.03 million were taken over by PDIC as receiver following closure by the Monetary Board during the year. Another rural bank, where management conference was conducted in 1998, was referred to BSP for prompt corrective action due to management's inaction on the bank's deteriorating condition.

PDIC assists banks in danger of closing if there is a viable rehabilitation plan, strong management, and full restoration of capital. The cost to PDIC of such assistance, however, should be less than the cost PDIC expects to incur if the bank were to be closed. During the year, the PDIC Board approved the applications for financial assistance of a commercial bank and a thrift bank under loan agreements with BSP and premised on least cost resolution. On the other hand, PDIC received payments amounting to P97.45 million from two banks extended financial assistance in the early 1990s. By yearend 1999, total outstanding loan principal amounted to P7.90 billion involving two banks.

[3] Conducted on 14-25 February 2000 at the Bangko Sentral ng Pilipinas.

To provide some relief to the depositors of Orient Commercial Banking Corporation (OCBC) closed in 1998 after a protracted holiday, PDIC negotiated for the reduction and restructuring of the depositors' uninsured deposit claims against the bank in exchange for early settlement[4] of their claims. Restructured deposits of OCBC amounting to P2.30 billion were assumed by a bank which accepted the lowest financing for the assumption of these deposits. Assistance to this bank is equivalent to 78.5 percent of deposit claims to be assigned by OCBC depositors and will be released on a staggered basis. With insured deposits already paid by PDIC, funding for the assistance will be borne by BSP. As of yearend 1999, assistance released to the assuming bank amounted to P986.95 million, corresponding to P1.26 billion of deposits transferred or about 55 percent of restructured deposits.

Application for financial assistance of Prime Savings Bank was also approved during the year, although rehabilitation did not materialize in the absence of substantial consent from depositors on the proposed terms of restructuring of their deposits.

DEPOSIT INSURANCE

All deposit accounts in member banks are covered by deposit insurance up to the maximum amount of P100,000 per depositor. In insuring deposits, PDIC assesses total deposits in banks at the rate of 1/5 of 1 percent per annum. Assessments are collected semi-annually, calculated based on average deposit liabilities as of end of March and June for the first semester, payable not later than 31 July; and as of end of September and December for second semester, payable not later than 31 January of the following year. Assessments in 1999 therefore consist of collections in January 1999 based on average deposits as of the end of September and December 1998 and collections in July 1999 based on average total deposits as of March and June 1999.

Total Deposits and Deposits at Risk

Total deposits as of 30 June 1999 in 985 member banks amounted to P1.77 trillion representing 23.72 million accounts. In terms of amount, the June 1999 level is 5.0 percent higher than June 1998 level of P1.69 trillion, although in terms of accounts, there was a decrease of 1.0 percent from 23.97 million in 1998. It is noted that deposit growth has been decelerating for the past five years, from 31.1 percent in 1995, to 18.9 percent in 1998 and further down to 5.0 percent in 1999.

Table 1. SELECTED INDICATORS ON PDIC MEMBER BANKS, 1997-1999
Accounts in Thousands, Amounts in Million Pesos

Type of Bank	1997							1998							1999						
	Member Banks	Total Deposits		Insured Deposit Amount	Assessment Remitted	Insured to Total	Assessment to Insured	Member Banks	Total Deposits		Insured Deposit Amount	Assessment Remitted	Insured to Total	Assessment to Insured	Member Banks	Total Deposits		Insured Deposit Amount	Assessment Remitted	Insured to Total	Assessment to Insured
		Accounts	Amount						Accounts	Amount						Accounts	Amount				
Commercial Banks	**52**	**13,721**	**1,243,212**	**230,715**	**2,344**	**18.6%**	**1.0%**	**55**	**15,859**	**1,521,724**	**256,590**	**2,892**	**16.9%**	**1.1%**	**53**	**16,185**	**1,601,173**	**308,600**	**3,087**	**19.3%**	**1.0%**
Private Banks	49	12,814	1,127,767	216,302	2,123	19.2%	1.0%	52	14,677	1,377,815	237,894	2,624	17.3%	1.1%	50	14,738	1,446,008	286,340	2,792	19.8%	1.0%
Specialized Government Banks	3	907	115,445	14,413	221	12.5%	1.5%	3	1,182	143,909	18,696	268	13.0%	1.4%	3	1,447	155,166	22,260	295	14.3%	1.3%
Thrift Banks	**113**	**3,866**	**143,086**	**41,085**	**218**	**28.7%**	**0.5%**	**118**	**3,706**	**129,649**	**41,469**	**291**	**32.0%**	**0.7%**	**119**	**3,076**	**134,548**	**42,098**	**325**	**31.3%**	**0.8%**
Savings & Mortgage Banks	24	1,952	76,163	23,453	100	30.8%	0.4%	33	1,824	72,085	23,578	138	32.7%	0.6%	36	1,613	89,841	26,469	204	29.5%	0.8%
Savings & Loans Associations	49	958	13,828	6,505	23	47.0%	0.4%	45	956	14,346	7,000	28	48.8%	0.4%	43	734	11,434	5,718	24	50.0%	0.4%
Private Development Banks	40	956	53,095	11,127	95	21.0%	0.9%	40	926	43,218	10,891	125	25.2%	1.2%	40	729	33,273	9,911	97	29.8%	1.0%
Rural Banks	**791**	**3,987**	**34,703**	**20,689**	**66**	**59.6%**	**0.3%**	**816**	**4,405**	**37,934**	**24,040**	**82**	**63.4%**	**0.3%**	**813**	**4,458**	**37,687**	**23,900**	**76**	**63.4%**	**0.3%**
Total	**956**	**21,574**	**1,421,001**	**292,489**	**2,628**	**20.6%**	**0.9%**	**989**	**23,970**	**1,689,307**	**322,099 ***	**3,265**	**19.1%**	**1.0%**	**985**	**23,719**	**1,773,408**	**374,598**	**3,487**	**21.1%**	**0.9%**

* revised

Notes:

1. Total deposits, insured deposits and member banks as of 30 June of the reference year.
2. Specialized government banks consist of Development Bank of the Philippines, Land Bank of the Philippines and Al Amanah Bank.
3. Details may not add up to totals due to rounding.

[4] Normally, uninsured deposit claims are settled after liquidation of a closed bank's assets and are ranked among other ordinary claims.

Corresponding insured deposits or deposits at risk amounted to P374.60 billion, 16.3 percent higher than previous year's P322.10 billion. Insured deposits in commercial banks, which increased by 20.3 percent to P308.60 billion, comprised 82.4 percent of total insured deposits. The P42.10 billion of insured deposits in the thrift bank group resulted in a 1.5 percent growth from previous year level and comprised 11.2 percent of the total insured deposits. In contrast, insured deposits in rural banks decreased by 0.6 percent from P24.04 billion in 1998 to P23.90 billion.

Deposit accounts estimated to be fully insured, i.e., accounts with deposits not exceeding the P100,000 maximum cover, accounted for 91.6 percent of the total number of deposit accounts in the system, with equivalent amount of P175.72 billion or nearly half of the amount of total insured deposits. Rural banks have the highest percentage of estimated number of fully insured accounts at 98.6 percent, as well as highest percentage of insured to total amount of deposits at 63.4 percent. Fully insured deposit accounts of thrift banks comprised 93.7 percent of total number of deposit accounts and its ratio of insured to total amount of deposits is at 31.3 percent. In the case of commercial banks, fully insured deposit accounts comprised 89.3 percent of total number of deposit accounts and ratio of insured to total amount of deposits is at 19.3 percent. Among the different bank types, specialized government banks have the lowest ratio of insured to total amount of deposits at 14.3 percent.

Table 2. FULLY INSURED DEPOSITS IN MEMBER BANKS, 1997-1999*
Accounts in Thousands, Amounts in Million Pesos

Type of Bank	1997				1998				1999			
	Accounts	Amount	Fully Insured Deposits/ Total Deposits (%)		Accounts	Amount	Fully Insured Deposits/ Total Deposits (%)		Accounts	Amount	Fully Insured Deposits/ Total Deposits (%)	
			Accounts	Amount			Accounts	Amount			Accounts	Amount
Commercial Banks	12,539	112,519	91.4	9.1	14,534	124,106	91.6	8.2	14,454	135,581	89.3	8.5
Private	11,696	104,483	91.3	9.3	13,438	114,044	91.6	8.3	13,115	124,063	89.0	8.6
Specialized Government Banks	843	8,035	92.9	7.0	1,096	10,062	92.7	7.0	1,340	11,518	92.6	7.4
Thrift Banks	3,712	25,154	96.0	17.6	3,532	24,097	95.3	18.6	2,882	22,667	93.7	16.8
Savings & Mortgage Banks	1,874	15,677	96.0	20.6	1,727	13,890	94.7	19.3	1,494	14,557	92.6	16.2
Savings & Loans Associations	935	4,220	97.6	30.5	933	4,679	97.5	32.6	712	3,556	97.1	31.1
Private Development Banks	904	5,258	94.5	9.9	872	5,528	94.2	12.8	675	4,554	92.7	13.7
Rural Banks	3,931	15,033	98.6	43.3	4,342	17,739	98.6	46.8	4,394	17,474	98.6	46.4
Total	20,182	152,706	93.5	10.7	22,408	165,942	93.5	9.8	21,731	175,722	91.6	9.9

* Refers to deposit accounts with amount of deposit balances not exceeding P100,000 as of 30 June of the reference year.

Insurance Reserves

Assessments collected for 1999 aggregated P3.49 billion, 6.8 percent higher than previous year's P3.26 billion. Similar to deposit growth, assessment collections have been decelerating starting 1997, i.e., from 29.0 percent to 24.3 percent to 6.8 percent. Top ten banks in terms of assessments remitted include Metropolitan Bank and Trust Company, Philippine National Bank, Land Bank of the Philippines, Bank of the Philippine Islands, Philippine Commercial International Bank, Far East Bank and Trust Company, United Coconut Planters Bank, Citibank, N.A., Rizal Commercial Banking Corporation and Allied Banking Corporation. Total assessments of these banks in 1999 amounted to P2.12 billion or 60.7 percent of total assessments collected.

Table 3. INSURANCE RESERVES, 1997-1999
Yearend Position, Amounts in Million Pesos

ITEM	1997	1998	1999
Total Insurance Reserves	15,320	20,052	23,412
Permanent Insurance Fund	3,000	3,000	3,000
Estimated Insurance Losses	12,092	16,782	20,110
Retained Earnings	228	270	302
Payables to BSP	1,428	1,428	1,333
Principal *	1,370	1,370	1,279
Accrued Interest	58	58	54
Net Insurance Reserves	13,892	18,624	22,079
Total Deposits	1,655,213	1,735,669	1,896,132
Insured Deposits	315,136	364,453	349,409
Net Insurance Reserves to Insured Deposits (%)	4.4	5.1	6.3
Net Insurance Reserves to Total Deposits (%)	0.8	1.1	1.2

* Refers to loans from BSP used to service insured deposit claims.
Notes:
1. Total deposits and insured deposits as of 31 December of the reference year.
2. Deposit data refer to deposits in PDIC member banks, excluding deposits in overseas branches of Philippine banks.

The Corporation continues to build up its reserves to enable prompt payment of claims for insured deposits in case of bank closure. Insurance reserves as of yearend 1999 reached P23.41 billion, 16.8 percent higher than previous year's P20.05 billion. It is composed of capital infusion from the government or the permanent insurance fund at P3.0 billion, provision for estimated insurance losses at P20.11 billion, and retained earnings at P0.30 billion. After adjusting for payables to the Bangko Sentral ng Pilipinas, net insurance reserves amounted to P22.08 billion or an increase of 18.5 percent from 1998 level. Ratio of net insurance reserves to yearend 1999 level of insured deposits improved to 6.3 percent from 5.1 percent, while ratio of net insurance reserves to yearend 1999 total deposits increased to 1.2 percent from 1.1 percent.

Termination of Insured Status

PDIC, under the amendment of its charter in 1992, was given the power to terminate insured status of a bank for, among others, failure or refusal to pay assessments. The Corporation has since terminated insured status of one thrift and 37 rural banks. Of these 38 banks, 32 were subsequently ordered closed by the Monetary Board; five are operating with active applications for reinstatement; and one operating with application for reinstatement considered withdrawn.

Maximum Deposit Insurance Cover

During the year, several bills were submitted to Congress by various proponents proposing to increase the maximum deposit insurance cover (MDIC) from the present level of P100,000 to amounts from P200,000 to as high as P1 million. A study to determine the appropriate level of MDIC, taking into account economic and industry developments and international standards, was undertaken in response to these proposals. PDIC supports the increase to P200,000 as the most appropriate level of MDIC, taking into consideration the need to provide adequate protection to small depositors given changes in economic condition and to make the MDIC at par with international standards. Moreover, at higher insurance coverage, depositors may become less vigilant about the condition of their banks because of greater protection, thus hindering the promotion of market discipline in the system. Likewise, at higher insurance coverage, banks may take advantage of the greater protection and may imprudently use deposits, placing themselves and their depositors at greater risks. Raising insurance coverage to P200,000 therefore, implies the least moral hazard.

CLAIMS MANAGEMENT AND RECEIVERSHIP AND LIQUIDATION

Successive bank closures which began in February 1998 continued to further strain the manpower resources of PDIC. Personnel from other units of the Corporation augmented takeover teams in effecting Monetary Board closure orders, conducting inventory of the closed banks' assets and liabilities, examining deposits and attending to inquiries from affected depositors and borrowers.

A total of 405 banks has been ordered closed by the Monetary Board from 1960 to 1999, of which 346 are rural banks, 51 are thrift banks and 8 are commercial banks. More than 93 percent of these banks (378) are under receivership/liquidation, of which 364 are under the management of PDIC and the rest were retained by BSP. The remaining 27 banks have been rehabilitated/acquired, the most recent of which were The Manila Banking Corporation (closed in 1987) which reopened as a thrift bank in June 1999 and Katipunan Rural Bank (closed in 1984) which was acquired by a group of investors in May 1999. Of the 364 closed banks under PDIC, 28 are under receivership and 336 are under liquidation. Combined assets of these 364 closed banks aggregated P16.62 billion while liabilities amounted to P34.20 billion. Two hundred thirty (230) of the 364 closed banks under PDIC were transferred from the BSP starting 1993 when PDIC was made mandatory receiver and liquidator of closed banks in the 1992 amendment of its Charter; and 134 banks were directly taken over by PDIC including the 17 rural banks located in Lanao del Norte/Sur. These 17 rural banks have been non-operational since the 1970s/1980s but were ordered closed only in November 1998, with bank premises reportedly found to be either abandoned/uninhabited or converted into residential units. Notices of closure were sent twice to the respective Board members of these 17 rural banks through registered mail while notices to their creditors to file claims against these banks with PDIC, as receiver, were published.

Takeover Operations

During the year, 33 banks with 107 branches/offices were ordered closed by the Monetary Board and taken over by PDIC. Of the 33, two were thrift banks (with 19 branches/offices) and 31 were rural banks (with 88 branches/offices). Book value of the assets of these banks amounted to P3.51 billion while liabilities are estimated at P4.85 billion as of banks' respective closure dates. These comprise less than one percent of total assets and total liabilities of the banking system. Deposit liabilities of the 33 banks amounted to P3.67 billion involving 240,091 accounts. More than 95 percent of total amount of deposits or P3.49 billion involving more than 99 percent of total number of deposit accounts are estimated to be insured.

Table 4. SELECTED DATA ON BANKS CLOSED BY THE MONETARY BOARD AND TAKEN OVER BY PDIC IN 1999
Amounts in Million Pesos

	Closed Bank	Type/ # Branches	Closure Date	Assets	Liabilities	Deposit Liabilities (DL)		Est. Insured Deposits (EID)		% of EID to DL	
						Accounts	Amount	Accounts	Amount	Accounts	Amount
1	Homeowners Savings and Loan Bank	TB/14	11-Feb-99	1,500.09	1,633.02	67,160	1,239.36	67,160	1,171.77	100.0%	94.5%
2	RB of Guiguinto (Bulacan), Inc.	RB/5	11-Feb-99	176.10	418.15	9,147	277.58	9,117	267.53	99.7%	96.4%
3	RB of Cagwait (Surigao del Sur), Inc.	RB/0	09-Mar-99	2.21	2.67	540	2.19	506	2.06	93.7%	94.4%
4	RB of Peñaplata (Davao del Norte), Inc.	RB/0	12-Mar-99	3.24	4.91	198	0.44	196	0.42	99.0%	94.4%
5	RB of Binalonan (Pangasinan), Inc.	RB/0	19-Mar-99	45.73	54.47	3,661	34.93	3,661	33.37	100.0%	95.5%
6	RB of San Enrique (Negros Occidental), Inc.	RB/0	06-Apr-99	9.27	23.65	182	0.30	182	0.30	100.0%	99.9%
7	RB of San Manuel (Tarlac), Inc.	RB/0	16-Apr-99	14.00	30.56	347	1.92	347	1.91	100.0%	99.7%
8	RB of Santiago (Ilocos Sur), Inc.	RB/0	30-Apr-99	12.38	21.10	2,267	29.32	2,176	28.62	96.0%	97.6%
9	RB of Libertad (Antique), Inc.	RB/0	10-May-99	5.36	7.51	2,418	2.01	2,397	1.96	99.1%	97.4%
10	Countryside RB of La Carlota (Negros Occidental), Inc.	RB/23	14-May-99	766.35	1,133.00	36,834	895.79	36,790	875.36	99.9%	97.7%
11	Capital RB of Makati (Metro Manila), Inc.	RB/2	14-May-99	40.11	109.05	1,420	91.68	1,420	91.10	100.0%	99.4%
12	RB of Cabusao (Camarines Sur), Inc.	RB/0	14-May-99	12.88	26.09	869	8.95	866	8.93	99.7%	99.8%
13	CRB of Currimao (Ilocos Norte), Inc.	RB/0	02-Jul-99	16.36	18.40	338	1.55	316	1.08	93.5%	69.7%
14	Kalibo Rural Bank (Aklan), Inc.	RB/0	16-Jul-99	22.88	42.29	7,331	36.21	7,329	34.75	100.0%	96.0%
15	RB of Coron (Palawan), Inc.	RB/2	20-Jul-99	62.99	66.18	11,728	61.59	11,722	59.20	99.9%	96.1%
16	Batangas Savings and Loan Bank, Inc.	TB/3	27-Jul-99	69.38	110.82	7,782	103.19	7,745	73.56	99.5%	71.3%
17	RB of Sta. Teresita (Batangas), Inc.	RB/1	27-Jul-99	24.62	73.86	10,844	66.49	10,844	66.27	100.0%	99.7%
18	RB of Mabini (Pangasinan), Inc.	RB/0	27-Jul-99	7.33	11.14	2,149	19.11	2,141	18.34	99.6%	95.9%
19	RB of Looc (Romblon), Inc.	RB/0	06-Aug-99	5.45	8.78	1,593	13.09	1,583	13.05	99.4%	99.7%
20	RB of Piñan (Zamboanga del Norte), Inc.	RB/0	17-Aug-99	1.24	2.19	636	1.69	620	1.51	97.5%	89.0%
21	RB of Alicia (Bohol), Inc.	RB/4	15-Sep-99	24.50	25.11	2,579	19.84	2,559	18.98	99.2%	95.7%
22	RB of San Miguel (Bohol), Inc.	RB/0	15-Sep-99	28.52	30.88	923	2.69	923	2.68	100.0%	99.8%
23	RB of San Teodoro (Oriental Mindoro), Inc. / First People's Bank	RB/10	15-Sep-99	241.46	286.08	30,378	190.18	30,352	174.07	99.9%	91.5%
24	First Manufacturer's RB (Bulacan), Inc.	RB/0	29-Sep-99	7.73	18.66	500	21.01	462	12.67	92.4%	60.3%
25	RB of Francisco Balagtas (Bulacan), Inc.	RB/0	29-Sep-99	25.10	115.04	2,936	162.93	2,936	162.93	100.0%	100.0%
26	RB of Northern Cebu (Cebu), Inc.	RB/6	28-Sep-99	187.46	255.65	13,791	147.98	13,776	140.22	99.9%	94.8%
27	RB of del Pilar (Bulacan), Inc.	RB/2	29-Sep-99	97.16	118.24	3,538	106.88	3,535	103.92	99.9%	97.2%
28	RB of Calauag (Quezon), Inc.	RB/2	29-Sep-99	26.16	56.97	10,548	53.62	10,548	52.37	100.0%	97.7%
29	RB of Sta. Cruz (Ilocos Sur), Inc.	RB/0	05-Oct-99	5.02	11.91	622	10.99	622	10.65	100.0%	96.9%
30	RB of Asingan (Pangasinan), Inc.	RB/0	26-Oct-99	31.20	41.22	2,106	31.87	2,106	27.24	100.0%	85.5%
31	RB of Sison (Pangasinan), Inc.	RB/0	09-Nov-99	10.04	38.86	3,061	29.57	3,061	29.29	100.0%	99.1%
32	RB of Sto. Tomas (Pangasinan), Inc.	RB/0	09-Nov-99	22.97	40.99	206	3.88	206	3.88	100.0%	100.0%
33	Samahang Nayon RB of Malay (Aklan), Inc.	RB/0	14-Dec-99	7.49	15.55	1,459	2.90	1,458	2.75	99.9%	94.8%
	TOTAL			**3,512.76**	**4,853.00**	**240,091**	**3,671.75**	**239,662**	**3,492.73**	**99.8%**	**95.1%**

Legend: KB - commercial bank; TB - thrift bank; RB - rural bank.

Takeover of the 33 banks was generally smooth except for Rural Bank (RB) of Looc in Romblon where there was mild resistance from bank owners and management. RB of Francisco Balagtas in Bulacan was voluntarily surrendered to BSP even before it was formally closed. Capital Rural Bank of Makati had suspended its lending operations prior to its closure. RB of Peñaplata in Davao del Norte and RB of Sison in Pangasinan were no longer operating when they were ordered closed. Six banks were no longer capable of servicing deposit withdrawals by the time they were ordered closed: RB of Alicia and RB of San Miguel, both in Bohol; RB of Asingan and RB of Mabini, both in Pangasinan; and RB of Santiago and RB of Sta. Cruz, both in Ilocos Sur. RB of Asingan in Pangasinan was ordered closed for the second time in October 1999 after having been closed first in 1977 and rehabilitated in 1981. Banks found to have common ownership/management were: Homeowners

Savings and Loan Bank (HOSLB), Kalibo RB, RB of Coron, and RB of Asingan of the Garcia family; RB of Libertad in Antique and RB of Looc in Romblon belonged to Mr. Aloysius de la Cruz; RB of Alicia and RB of San Miguel in Bohol were both owned by the Dungog family as well as RB of Villaba in Leyte (closed in 1998); and Batangas SLB and Commonwealth SLB (closed in 1998) of Mr. Eulogio Yutingco of the EYCO Group of Companies.

By the end of 1999, 10 of the 33 banks are still under receivership and 23 are under liquidation.

Claims Processing and Settlement

For 1999, PDIC took an average of four months from date of bank closure to start Claims Settlement Operations (CSO) in a closed bank. The same average turnaround time (TAT) was recorded in 1998. Corporate TAT target of two months, the recorded TAT in 1997, has yet to be re-achieved following the substantial rise in bank closures starting 1998. With continued and unabated bank closures, prompt start of CSO was interminably hampered by delays in the turnover of bank documents by former bank management, peace and order situation in areas where certain closed banks are located, court cases contesting bank closure, and the attendant competing demands on the time of PDIC personnel.

Table 5. DEPOSITS IN CLOSED BANKS AND CLAIMS SERVICING
Cumulative Yearend 1997-1999, Amounts in Million Pesos

		1997		1998		1999	
CLOSED BANKS SERVICED		308		328		353	
DEPOSIT LIABILITIES	Accounts	4,861,624	100.0%	5,028,382	100.0%	5,201,496	100.0%
	Amount	4,697.80	100.0%	9,418.60	100.0%	13,050.91	100.0%
DEPOSITS CLAIMED	Accounts	1,219,486	25.1%	1,273,374	25.3%	1,335,900	25.7%
	Amount	3,953.09	84.1%	6,465.86	68.6%	8,942.65	68.5%
Payment of Insured Deposits	Accounts	1,158,139	23.8%	1,196,294	23.8%	1,267,954	24.4%
	Amount	3,384.85	72.1%	4,516.65	48.0%	7,783.42	59.6%
Paid to Depositors	Amount	3,382.96	72.0%	4,512.71	47.9%	7,777.60	59.6%
Withheld taxes remitted to BIR	Amount	1.89	*	3.52	*	5.57	*
Withheld taxes to be remitted to BIR	Amount	0.00011	*	0.42	*	0.25	*
Pending Claims	Accounts	34,455	0.7%	49,830	1.0%	40,328	0.8%
	Amount	267.18	5.7%	1,619.51	17.2%	680.58	5.2%
Claims for deposits in excess of statutory limit, subject to offset, denied, or withdrawn	Accounts	26,892	0.6%	27,250	0.5%	27,618	0.5%
	Amount	301.06	6.4%	329.70	3.5%	478.65	3.7%
DEPOSITS UNCLAIMED	Accounts	3,642,138	74.9%	3,755,008	74.7%	3,865,596	74.3%
	Amount	744.71	15.9%	2,952.74	31.4%	4,108.26	31.5%

Note: Percentages represent share to deposit liabilities accounts/amount; * represents percentages less than 0.1.

Closed banks serviced or those banks where CSO have already been started as of yearend 1999 totaled 353, of which 25 banks were newly serviced in 1999. Cumulative payments made to depositors of these banks amounted to P7.78 billion involving more than 1.26 million accounts. The 353 closed banks serviced do not include the following: eight banks serviced by PDIC out of the funds appropriated under Republic Act 5517[5] ; two banks with no deposit liabilities as of closure; three banks rehabilitated prior to start of CSO; one bank where deposit liabilities were assumed by another bank; 22 banks closed without deposit insurance cover; and 16 banks with CSO not yet started.

Of the 25 banks serviced for the first time in 1999, 17 were closed in 1999; five in 1998 and three in 1994. Total payments made amounted to P2.38 billion involving 44,847 accounts. Of the total payments, P1.29 million represents taxes withheld on interest income on insured deposits paid by PDIC and remitted/to be remitted to the Bureau of Internal Revenue.

For these 17 banks closed in 1999, PDIC paid a total of P2.27 billion (85.6 percent of estimated insured deposits of P2.65 billion) for 40,870 accounts (or 26.8 percent of estimated insured accounts of 152,550). For the five banks closed in 1998, payment amounted to P109.46 million (or 70.5 percent of estimated insured deposits of P155.19 million) for 3,889 accounts (or 29.4 percent of estimated insured accounts of 13,240). The three banks that closed in 1994 were RB of Capiz, RB of Maayon, and RB of Pontevedra, all of which are in Capiz. These banks were not taken over immediately by the PDIC due to a temporary restraining order (TRO) obtained by its former owner. Hence, examination of deposit records was only done in 1998 which necessitated the resetting of the prescriptive date for filing of claims by depositors. Payments to depositors

[5] In 1969, Congress created a special fund of P15 million for the depositors of eight uninsured banks ordered closed in 1969 for payment of deposits up to the maximum limit of P10,000 per depositor.

of these banks aggregated P0.21 million for 88 accounts, 1.7 and 1.5 percent of estimated insured amount of P12.42 million and estimated number of insured accounts of 5,973, respectively.

Some depositors of five banks closed in 1999 availed of the emergency payout facility of the Corporation wherein the PDIC President may allow payment of insured deposit claims even before the official start of CSO in a closed bank. Payment of claims may be accelerated to enable PDIC to respond to humanitarian needs (e.g., payment of medical expenses, etc.) of depositors. Aggregate payments made under this facility during the year amounted to P0.62 million for 15 accounts.

Claims payment for depositors of 46 closed banks where CSO started prior to 1999 amounted to P884.65 million involving 26,798 accounts. Of the total amount paid, more than 92 percent represented payment to depositors of banks ordered closed in 1998 namely: Orient Commercial Banking Corporation, Unified Savings and Loan Association and Community Savings and Loan Association.

Aggregate payments made in 1999 reached P3.27 billion involving 71,660 accounts, almost three times the amount paid in 1998 at P1.13 billion involving 38,155 accounts.

Deposits unclaimed in the 353 closed banks comprised 74.3 percent of the total number of deposit accounts and 31.5 percent of total deposits. Depositors are given 18 months from date of bank closure to file their claims for insured deposits against PDIC. Beyond this period, a depositor who failed to file his claim for insured deposit with PDIC no longer has recourse to PDIC even for the insured amount. His recourse is to the closed bank from which his claims shall be settled out of the liquidation proceeds. On the other hand, a depositor who filed his claim for insured deposit with PDIC and was notified of the approval of his claim has one year after the 18-month period or from date of notice to enforce his duly-filed claim with PDIC; thereafter, the Corporation shall be discharged from liability on the insured deposit but the depositor retains his right of recourse to the closed bank.

By yearend 1999, claims amounting to P680.58 million involving 40,328 accounts remain unsettled. These pending claims of depositors are classified according to status of their claims. The first group, comprising 33.7 percent in terms of total accounts, refers to claims approved for payment but have not yet been claimed by depositors despite written notices. The second group is composed of claims with document deficiencies, approval of which will depend on the submission of required documents. This group accounted for 33.1 percent of total pending claims. The third group refers to claims which require further verification or those with legal issues which have yet to be resolved. In terms of amount, this group comprised 62.6 percent of total pending claims.

Table 6. PENDING CLAIMS
Cumulative Yearend 1997-1999, Amounts in Million Pesos

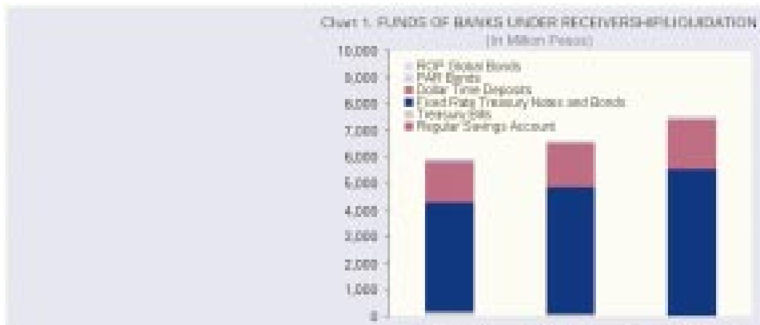
STATUS		1997		1998		1999	
			% share to total		% share to total		% share to total
AWAITING DEPOSITORS TO CLAIM PAYMENT OF THEIR INSURED DEPOSITS. Depositors have been notified of the approval of their claims.	Accounts	12,052	35.0%	12,323	24.7%	13,593	33.7%
	Amount	5.97	2.2%	9.01	0.6%	28.50	4.2%
AWAITING DEPOSITORS TO SUBMIT DOCUMENTS NECESSARY TO COMPLETE THEIR CLAIMS. Depositors have been notified of the required documents.	Accounts	12,121	35.2%	26,881	53.9%	13,339	33.1%
	Amount	88.93	33.3%	1,410.16	87.1%	226.25	33.2%
AWAITING RESOLUTION OF LEGAL ISSUES/ VERIFICATION OF DEPOSITS CLAIMED	Accounts	10,282	29.8%	10,626	21.3%	13,396	33.2%
	Amount	172.28	64.5%	200.34	12.4%	425.83	62.6%
TOTAL	Accounts	34,455	100%	49,830	100%	40,328	100%
	Amount	267.18	100%	1,619.51	100%	680.58	100%

Note: Excludes 805 claims filed which involve either competing claims (179 accounts worth P1.54 million) or accounts not in masterlist of deposits (1,128 accounts worth P128.23 million).

Asset Administration, Recovery and Disposal

The funds of 339 closed banks in excess of their operational requirements for receivership/liquidation activities are invested by PDIC mainly in high-yielding long-term government securities. The remaining 25 banks either do not have funds or have insufficient funds to defray expenses incurred in the closed bank's receivership/liquidation. The funds of the closed banks have grown to P7.46 billion as of yearend 1999, 12.7 percent higher than previous year's P6.62 billion. Accumulated earnings of the fund reached P4.39 billion, of which P727.40 million was realized in 1999 alone. More than 74 percent are invested in peso-denominated fixed rate treasury notes and bonds while dollar-denominated investments comprise 25.8 percent of total investments.

Since 1991, pooled investments of closed banks were monitored through the Funds Monitoring System which tracks the performance of individual banks' investments. However, in 1999, a move to adopt the common or global concept of investment pooling was initiated. Under this concept, no participating bank shall be deemed to have individual ownership of any assets in the fund, but each shall have a proportionate beneficiary interest in the fund and shall share pro-rata with the others in the fund's income, expenses or losses. Apart from being a system that is easier to manage, it is deemed to be more advantageous to closed banks since all banks will share in the returns from the fund's profitable investments, based on their own contribution to the fund. The system is expected to be fully operational by year 2000.



	1997	1998	1999
Regular Savings Account	-	-	2.28
Time Deposits	-	-	-
Treasury Bills	63.78	35.51	3.68
Fixed Rate Treasury Notes and Bonds	4,173.70	4,829.56	5,631.37
Dollar Time Deposits	1,601.93	1,706.39	1,856.46
PAR Bonds	60.62	50.45	-
ROP Global Bonds	-	-	70.57
TOTAL	5,890.03	6,621.91	7,464.36

Asset recoveries in 1999 at P190.64 million exceeded target of P185.5 million. More than 60 percent or P122.59 million were loan recoveries resulting from compromise settlements involving condonation of penalties and/or reduction of contractual interest rates. Disposal of real and personal properties through public bidding and negotiated sale generated P63.0 million or 33.0 percent share of the total recoveries. Receipts from rentals and from other sources such as interest earnings on savings accounts maintained by the individual closed banks for its working cash funds contributed P4.52 million or 2.4 percent and P0.53 million or 0.3 percent, respectively.

As in the previous year, recovery efforts have been hampered by several bank closures as a result particularly of frequent change in work assignments of field personnel to be able to effect the next takeover operations. As a continuing effort to improve asset recovery, review of policies on property disposal and loan collection by way of compromise was initiated. Among the policy reforms being studied is the engagement of brokers in the disposal of properties and agents in the collection of loans.

To date, about P11.70 billion worth of unconverted assets of closed banks are being managed by PDIC. These are composed mainly of loans, real and other properties owned/acquired and bank premises. Unconverted real properties are significantly made up of agricultural lands, many of which are still for inspection by the Department of Agrarian Reform to determine whether these are covered by the Comprehensive Agrarian Reform Program. To speed up the inspection, direct linkages between municipal agrarian reform officers and deputy liquidators of closed banks have been strengthened through improved communication and coordination.

The purchase of assets and assumption of liabilities (P&A) of Katipunan Rural Bank (Novaliches), Inc. was fully implemented in May 1999. The P&A was approved by the PDIC Board on 27 February 1997 as a mode of final liquidation of the bank. The termination of liquidation proceedings was approved by the Liquidation Court on 19 December 1997.

Also during the year, PDIC approved the assumption by Allied Banking Corporation of the uninsured deposit liabilities of Orient Commercial Banking Corporation to facilitate early settlement of the latter's uninsured deposits.

ASSUMPTION OF UNINSURED DEPOSIT LIABILITIES OF ORIENT COMMERCIAL BANKING CORPORATION BY ALLIED BANKING CORPORATION

Orient Commercial Banking Corporation (OCBC) was ordered closed by the Monetary Board on 15 October 1998, eight months after it declared a bank holiday. It has 52 banking offices strategically located all over the country, with 49,450 deposit accounts amounting to P3.57 billion, of which P0.84 billion is estimated to be insured. PDIC started payment of depositors' claims for insured deposits on 20 November 1998.

Because of the great number of depositors adversely affected by OCBC closure with no immediate and effective recourse for recovering their uninsured deposits, PDIC and BSP exhausted all remedies within their power to mitigate the adverse consequences and the erosion of public confidence in the banking system. The remedy involved the transfer of the uninsured deposits, excluding the accrued interest from 30 September 1997 to 15 October 1998, to an assuming bank which will be granted financial assistance by PDIC, to be funded by BSP. Upon assignment, 20 percent of the assumed deposits may be withdrawn by depositors while the balance, deemed as five-year term credits with interest yield of two percent per annum, shall be paid in equal annual amortizations over a period of five years. PDIC will purchase the assigned deposit claims at a price proportionate to the ratio of the bid of the assuming bank to the total deposits eligible for transfer.

A number of qualified banks signified willingness to assume the deposit liabilities in consideration of the grant by the Monetary Board of the authority to operate 52 banking offices with the end in view of filling in the niche formerly serviced by OCBC. From among the interested banks, Allied Banking Corporation, in a canvassing held on 17 August 1999, submitted a proposal that required the least amount of funding to assume the deposits to be assigned by OCBC depositors.

PDIC started receiving and processing deeds of assignment executed by OCBC depositors in favor of Allied Banking Corporation on 19 November 1999 in Metro Manila branches and on 9 December 1999 in provincial branches. The first two batches of deeds of assignment filed by 1,219 depositors involving uninsured deposits totaling P1.26 billion were transferred to Allied Banking Corporation as of yearend.

PDIC Claims Against Closed Banks

In 1999, claims amounting to P135.45 million were filed by PDIC for subrogated deposits against 34 closed banks. Of the total claims filed, P129.26 represents claims filed for the first time against 16 banks; and P6.19 million worth of additional claims filed against 18 banks. This brought total claims filed by PDIC to P3.53 billion, or 45.3 percent of total subrogated deposits of P7.78 billion, covering 326 closed banks. Claims against 27 closed banks amounting to P4.26 billion are in process. Recoveries as of yearend 1999 amounted to P1.06 billion from 37 closed banks, of which P878.41 million was recovered in 1999 alone. These consist of P852.34 million partial recovery from The Manila Banking Corporation and full recovery from Banco Primero and Katipunan Rural Bank amounting to P24.07 million and P1.99 million, respectively. Total recoveries represent 30.0 percent of total claims filed.

Table 7. CLAIMS FOR AND RECOVERY OF SUBROGATED DEPOSITS
Cumulative Yearend 1997-1999, Amounts in Million Pesos

	1997		1998		1999	
	No. of Banks	Amount	No. of Banks	Amount	No. of Banks	Amount
Subrogated Deposits	**308**	**3,385.09**	**328**	**4,516.65**	**353**	**7,783.42**
Claims filed by PDIC against the closed banks	289	3,241.68	310	3,392.57	326	3,528.02
Claims in process	19	143.41	18	1,124.08	27	4,255.40
Recoveries on Claims Filed	**34**	**181.09**	**34**	**181.09**	**37**	**1,059.50**
Partial Recovery	4	15.02	4	15.02	5	867.36
Full Recovery	30	166.07	30	166.07	32	192.14
Claims filed but not yet recovered	**255**	**3,060.59**	**276**	**3,211.48**	**289**	**2,468.52**
Ratios						
Recoveries to Subrogated Deposits	11.0%	5.3%	10.4%	4.0%	10.5%	13.6%
Recoveries to Total Claims Filed	11.8%	5.6%	11.0%	5.3%	11.3%	30.0%

Note: Subrogated deposits represent insured deposits paid which consists of payments made to depositors including US dollar deposit accounts converted to Philippine pesos for accounting purposes, and taxes remitted/to be remitted to BIR.

Payment of Creditors' Claims Against Closed Banks

As of yearend 1999, liabilities of the 364 closed banks other than subrogated deposits to PDIC reached P31.69 billion, while estimated realizable value of assets amounted to P18.70 billion. Liabilities include payables to the Bangko Sentral ng Pilipinas arising from rediscounting, labor claims, dues to Social Security System and Medicare representing employees premiums, fund contribution and loan payments, taxes, dues to other banks and such other liabilities. These accounts shall be paid out of asset recovery proceeds.

A total of P29.33 million was paid to 85 creditors of three closed banks namely: Pacific Banking Corporation (PaBC), Banco Primero Development Bank (BPDB) and PAIC Savings and Mortgage Bank (PAIC SMB) as partial liquidating dividends. The payments were made in accordance with the approval issued by the respective banks' liquidation courts in 1996 for PaBC and BPDB and 1991 for PAIC SMB. Of the total amount, P28.27 million was paid to five creditors of Banco Primero. The payments in 1999 brought to P365.37 million the total liquidating dividends paid by PDIC as of yearend 1999 involving 1,589 creditors.

Still unresolved at year-end are issues on classification and priority of credit claims of BSP for advances and rediscounts as well as foreign currency-denominated claims mostly against Pacific Banking Corporation and PISO Development Bank.

CORPORATE MANAGEMENT

Legal Affairs

The Corporation through its Legal Affairs Sector ensures that policies adopted are consistent with its mandate and that functions are performed within the existing legal framework.

A major task undertaken during the year was the drafting of amendments to the PDIC Charter by an Ad Hoc Committee created by virtue of Board Resolution No. 98-11-088, dated 23 November 1998, largely facilitated with the assistance of domestic and international consultants engaged under the Asian Development Bank Technical Assistance (ADB TA) grant. Proposed amendments to the PDIC Charter are intended to enhance PDIC's powers as insurer and as receiver/liquidator of closed banks. The draft bill is expected to be finalized early next year for submission to the Committees on Banks of both the Senate and the House of Representatives for deliberation.

A total of 1,006 out of 1,039 requests for legal opinion/advice, including contracts renewed and drafted, were disposed of during the year, achieving a disposal rate of 96.8 percent, compared to last year's 95.8 percent. In addition, a total of 2,343 litigation cases were handled and/or being monitored, including 429 new cases involving closed banks. Of the 51 cases decided during the year, 48 or 94.1 percent were decided favorably or compromised, accounting for total estimated recoveries in the amount of P1.09 billion, inclusive of the value of the properties recovered. Three other cases were decided adversely. Petitions for assistance in the liquidation of eight banks ordered closed and placed under liquidation within the year were also given due course.

Investigations of 247 cases, involving 73 bank frauds and other related cases, 128 background checkings, 33 whereabouts/ property checkings and 13 miscellaneous cases, were completed during the year. Based on investigations conducted, claims for insured deposit accounts classified as "For Further Verification" worth P224.71 million were recommended for payment; claims worth P7.04 million, representing claims of depositors who failed to submit necessary documents or who cannot be located, were deferred; and claims amounting to P1.82 million were denied due to absence of cash inflow and insufficient supporting documents, among others.

Planning and Performance Monitoring

In the second half of each year, the Corporation conducts its annual planning and budget preparation exercise, setting its corporate program and corresponding budget for the coming years. Directions and goals are provided by top management, thereafter the various operations and support groups formulate strategies and set targets to achieve identified goals. From the strategies formulated, management selects its priorities which shall serve as bases in monitoring corporate performance.

To keep track of its performance on a periodic basis, set priorities of the Corporation are monitored quarterly, supported with monthly indicators on the status of the various aspects of operations. To update management on current developments in the economy and to provide inputs to management's policy and decision-making process, regular compilation of relevant information is undertaken, e.g., monthly financial and banking indicators and semestral economic update, together with the conduct of short researches on prevailing issues. During the year, short discussion papers were prepared focusing on deposit secrecy, regional deposit trends, foreign currency deposit units, among others.

Information Technology

To ensure efficiency in the delivery of services, the Corporation completed its Information Systems Strategic Plan (ISSP) for 1999 - 2001 in close coordination with the local consultants engaged under the ADB TA grant. The ISSP contains PDIC's overall plan for the development and implementation of its information systems, the use of information technology and the corresponding resource requirements.

Three high priority projects were identified in the ISSP for implementation in 1999. These were the implementation of a new Y2K-compliant accounting system, the procurement of a Common Fund System that will handle the recording and monitoring of pooled funds of closed banks being managed by PDIC, and the setting up of a corporate Internet access facility.

IT equipment were also purchased in 1999 to provide flexibility, speed and accuracy in processing voluminous records. Equipment purchased include desktop and notebook computers, laser, dot matrix and line printers, network hubs and switches, and file servers.

Client Education and Information Dissemination

With depositor protection a paramount concern of the Corporation, client education and information dissemination through frontline depositor assistance are continually pursued. The joint takeover-examination-communication operations was continued, with information staff deployed in takeover and claims settlement operations to attend to queries of depositors and to assist them in filing claims. Due to limited information staff, however, information/education assistance was extended in only 18 closed banks (out of 33 closed banks with 107 banking units) covering 23 banking units in takeover operations, and in 35 banking units during claims settlement operations.

Aside from frontline depositor assistance, networking with local government units, socio-civic organizations and national/ local media was undertaken. Assistance of local government units, churches and religious groups was sought to promote and sustain public awareness and education on receivership and claims processes through free public service announcements and people's assemblies. Local media support in information campaign was also tapped to encourage high turnout of claimants.

Assistance to depositors who encounter problems in their bank transactions, mainly unserviced withdrawals in banks and ATM machines, was also extended through the Depositors Assistance Bureau. During the year, 176 complaints were received by the Bureau, 147 of which were resolved and 29 cases remained pending as of yearend, awaiting BSP action.

Human Resource Management

Recognizing manpower as its most valuable resource, PDIC continually enhances its human resource management and development programs, with particular focus on acquiring and retaining highly qualified professionals and honing their knowledge and skills in areas critical to individual and organizational effectiveness.

A revitalized PDIC Recruitment and Selection Program was initiated in 1999 which rationalized and streamlined the existing recruitment process. Scheduled to be fully operational by mid-2000, the new Program, even at its early stages, has achieved dramatic turnaround in recruitment activities through more innovative hiring techniques and closer coordination with unit heads.

By yearend, manpower complement reached 758 (127 officers and 631 rank and file), posting an increase of 59 employees or 8.4 percent from 699 in 1998. A total of 127 personnel were promoted during the year, including 26 to officer positions.

On 23 November 1999, as provided in the PDIC Charter, the President of the Philippines fixed the salary of the PDIC President, thus paving the way for the adoption of a new market-based PDIC compensation scheme effective on the same date. The upgrading of PDIC's compensation structure was a corporate milestone, enabling the Corporation to motivate and retain competent employees and, at the same time, attract high-caliber candidates.

A 1998 corporate initiative directed towards clearer delineation of responsibilities, enhancement of systems and procedures, and expansion of the PDIC plantilla, the proposed organizational restructuring gained momentum in 1999 with inputs from foreign and local consultants brought in by ADB under its technical assistance grant to PDIC. Approval of the new structure, however, was deferred to 2000 to allow for possible recommendations of the consultant/s to be engaged under the World Bank grant for the improvement of the claims, receivership and liquidation area.

In human resource development, some P2.44 million was spent on training and development, excluding participation in training programs, seminars and internship programs funded under the ADB and World Bank grants at close to P1.4 million. In addition, eight PDIC staff pursued graduate studies on official time, five under the Local Scholarship Program of the Civil Service Commission (CSC), and three under foreign scholarship grants.

A total of 896 participants benefited from programs and seminars conducted by the PDIC Institute and other local institutions. Seventeen officers and staff attended foreign training programs/seminars/ conferences funded by the ADB and WB grants, including two who availed of on-the-job training in on-site/off-site examination processes and procedures at the Federal Reserve Bank of San Francisco (USA). Six other PDIC personnel participated in the 34th SEACEN Course held in Manila. Additional 35 PDIC staff also participated in an overview workshop on claims, receivership and liquidation held in Manila and conducted by a resource person from the Canada Deposit Insurance Corporation.

Table 8. PARTICIPATION IN TRAINING COURSES AND SEMINARS, 1997-1999

Courses	Frequency			Number of Participants		
	1997	1998	1999	1997	1998	1999
I. Domestic Training	**89**	**101**	**157**	**655**	**581**	**901**
A. PDIC Training Institute	**28**	**22**	**39**	**530**	**442**	**679**
Foundation Course	2	2	2	87	61	79
Bank Accounting	2	2	2	58	56	54
Bank Examination						
Basic Banking Operations	2	2	2	67	62	55
Basic Supervisory Development		1	2		30	63
Computer Systems Audit	1		2	32		41
Corporation Law		1			37	
Derivatives Risk Management		1			24	
Distressed Asset Management/Collection Administration			1			26
Effective Business Writing			1			30
Financial Analysis	1	2	1	39	63	26
MUST-Whole Brain Thinking		2			29	
Overview Workshop on Claims, Receivership & Liquidation			1			35
Property Management						
Real Estate Appraisal			1			40
Receivership & Liquidation	1			35		
Signature Verification		1	1		37	39
Team-Building						
Computer Literacy	19	8	23	212	43	191
Archival Software			2			49
Adobe Photoshop			1			2
Anti-Virus			1			3
Hardware Security			1			10
Frontpage 98		1			5	
Visual Basic						
Power Builder and Windows NT 4.0	1			9		
Windows 95	6	1	2	64		15
MS Word	7	1	4	81	6	13
MS Advance Excel			5			48
MS Excel	5	1	5	58	5	39
MS Project		1			5	
MS Outlook		1			5	
MS Access		1			12	
MS Powerpoint		1	2		5	12
B. Others	**61**	**79**	**118**	**125**	**139**	**222**
Degree	**2**	**2**	**5**	**4**	**2**	**5**
Master in Business Administration		1	1		1	1
Master in Development Management			1			1
Master in Industrial Relations		1			1	
Master in Public Management	1			1		
Master of Arts in Communications			1			1
Master of Science in Computer Science	1			3		
Master of Science in Statistics			1			1
Master of Science in Finance			1			1
Non-Degree (public seminars on various topics)	**59**	**77**	**113**	**121**	**137**	**217**
II. Foreign Training	**7**	**18**	**12**	**9**	**25**	**20**
A. Degree	**1**	**1**	**2**	**1**	**1**	**2**
Master of Art in Development Economics	1			1		
Master of Economics of Development		1	1		1	1
Master of Trade and Development			1			1
B. Non-Degree	**6**	**17**	**10**	**8**	**24**	**18**
1st Annual Meeting of the Asia Pacific Group on Money Laundering		1			1	
2nd Phil-Australia Dialogue Part II		1			1	
31st Annual Meeting of Asian Development Bank		1			1	
Asia Pacific Financial Deregulation: The Condition for Success		1			1	
Information Processing Personnel	1			1		
Insolvency System in Asia Conference			1			1
Inter-American Forum on Micro-Enterprise		1			1	
International Certificate Course in Property Valuation	1			1		
Introduction to Micro- Finance	1			1		
Meeting with CDIC Officials and Financial Stability Forum			1			1
On the Job Training on Off-Site and On-Site Examination			1			2
APEC Bank Supervisors Training Advisory Group Meeting			1			1
APEC Financial Regulators' Training Initiative			1			2
Asia Pacific Conference of Bank Supervisors			1			1
Asia Round Table Meeting: Strength and Relationships in Asia and Canada		1			1	
Conference on Banking Supervision		1			1	
FDIC International Conference on Deposit Insurance		1			2	
Negotiations for the Banking System Reform Loan		1			1	
Workshop on Regulatory Action Plan		1			2	
Workshop on Harmonization of Banking Supervision			1			1
4th Seacen Course on Computer Audit (Advance Level)			1			1
1st Advanced Course on Bank Supervision		1			1	
11th Meeting of Directors of Supervision	1			1		
12th Meeting of Directors of Supervision		1			2	
29th Seacen Course on Examination and Supervision of Financial Institutions	1			2		
30th Seacen Course on Examination and Supervision of Financial Institutions	1			2		
31st Seacen Course on Examination and Supervision of Financial Institutions		1			2	
32nd Seacen Course on Banking Supervision		1			2	
33rd Seacen Course on Banking Supervision			1			2
34th Seacen Course on Banking Supervision*			1			6
Seminar on Global Lessons in Banking Crisis Resolution		1			3	
Workshop on Asian Infrastructure Planning and Management		1			1	
Workshop on Economic Monitoring and Financial Sector Surveillance		1			1	
Grand Total	**96**	**119**	**169**	**664**	**606**	**921**

*conducted in Manila, Philippines

In the employee relations front, an opportunity has opened up for PDIC to formally tap the potential of its employees organization as a partner in building an organizational climate of cooperation and teamwork. For the first time since its creation, PDIC commenced negotiations in 1999 for a Collective Negotiation Agreement (CNA) with the PDIC Employees Organization (PHILDICEO), bringing labor-management relations in PDIC to a new level. Both parties look forward to the conclusion of the CNA as a means of fostering industrial peace and enforcing discipline while enhancing employees' welfare and productivity, thereby serving as a vehicle for the attainment of a responsible public service in general and the goals of PDIC in particular.

By way of empowering the staff to take responsibility for maintaining their productivity in the face of the traffic situation, a modified flexitime schedule was implemented starting September 1999, with the approval of the CSC.

Implementation of Foreign-Funded Grants

Two foreign-funded technical assistance (TA) grants under the Asian Development Bank (ADB) and the World Bank (WB), aimed at enhancing the capability of PDIC, were implemented in July and August 1998, respectively. Consultancy services under the ADB TA in the areas of risk management, human resource management, legal and information systems were completed in the first half of 1999. Recommendations were thereafter evaluated by management for possible adoption.

Among the major accomplishments under the ADB TA are the completion of draft bill containing amendments to the PDIC Charter and the PDIC Information Systems Strategic Plan (ISSP). The draft bill aims to strengthen the Corporation as insurer of deposits in banks and as receiver and liquidator of banks ordered closed by the Monetary Board of the BSP. The new ISSP incorporates a number of recommended technology and application systems and includes the PDIC Corporate Data Model which serves as the framework of the ISSP in identifying information linkages. This data model is recommended to be considered in determining future systems requirements of the Corporation. Under both grants, foreign and local training programs were participated in by 149 PDIC officers and staff.

By mid 1999, representatives from the Policy Training and Technical Assistance Facility (PTTAF) of the Canadian International Development Agency (CIDA), met with PDIC senior management to discuss possible assistance aimed at enhancing policy development and reforms through institutional capacity development, technical assistance and systems development. Series of meetings were held to discuss possible areas for improvement through consultancy services and training under PTTAF funding. As of yearend, a memorandum of agreement between PTTAF and the Corporation is being finalized prior to project implementation early next year.

The Corporation continues to foster closer linkages with foreign counterparts in keeping abreast with international best practices in deposit insurance schemes. Coordination is being maintained with the U.S. Federal Deposit Insurance Corporation and CIDA for exchange of information and updates on possible training programs offered, in which PDIC may participate to acquire insights into the deposit insurance and bank examination practices in other countries.

Internal Audit

Audit on the different areas of operations has always been a part of the organization's internal control to ensure integrity and efficiency of operations, and enhance corporate standards on accountability. Internal audit program mainly involves annual business, compliance and accountability reviews of the operating and support units, monitoring their performance according to set standards and policies. In this regard, Policy Manuals are also reviewed to ensure that the appropriate control features are in place in all aspects of operations and at the same time, evaluated as to their relevance and adaptability to changing environment. In addition, high-risk areas such as cash, securities, premises and closed banks are covered in a separate periodic verification process. Special audits are also conducted on areas/matters of particular interest.

Liaison with the Commission on Audit is also continuously fostered to resolve existing and potential audit concerns and to promote mutual understanding of each other's policies, practices and decisions.

FINANCIAL PERFORMANCE

Financial Resource Management

Consistent with the investment strategy adopted since 1996, PDIC continued to invest funds in excess of operational requirements primarily in government securities with longer tenor and higher yield. Funds generated from assessments, maturing investments and interest on investments are deployed to cover for operating expenses, payment of depositors' claims for insured deposits, and financial assistance to member banks.

The domestic bills purchase line of P1.5 billion and short-term loan line of P10 million with the Land Bank of the Philippines (LBP) were renewed for liquidity support. The former enables immediate clearing of checks deposited at LBP, foregoing the three-day clearing time,while the latter is a stand-by facility to finance large funding requirements pending maturity of placements.

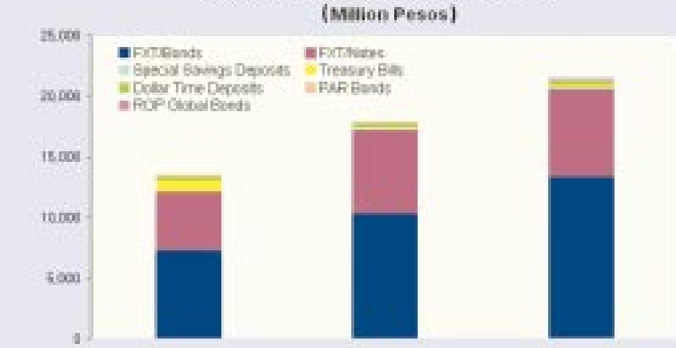
The bulk of assessments received in January 1999 was invested in 10-year fixed rate treasury bonds (FXT/Bonds) at 18 percent, while the rest was placed in 7-year FXT/Bonds with nominal rate of 16.5 percent at yield to maturity of 16.99 percent. Assessments collected in July were placed in 5-year FXT/Notes, with rates ranging from 13.62 to 14 percent. PDIC shifted to 7-year FXT/Bonds on 16 September 1999 at a rate of 15 percent; then to 10-year FXT/Bonds when an issue was made at 15.5 percent.

During the 1st quarter of 1999, PDIC sold P70 million worth of 5-year FXT/Bonds to BSP at par (14.5 percent) with the right to repurchase. Proceeds were used to finance initial payoff operation requirements of the closed Homeowners Savings and Loan Association. From time to time, the Corporation also invested in short-term placements/deposits with tenors from 4 to 35 days at rates ranging from 5 percent to 12 percent to meet obligations for payoff requirements.

Maturing dollar time deposits were renewed and semi-annual interest collections from PAR bonds were invested in 60-day to 120-day dollar time deposits. Rates ranged from a low of 4.7 to 5.8 percent, net of 7.5 percent final tax. Investments in Philippine Collateralized Interest Reduction Bonds or PAR Bonds were exchanged for ROP Global Bonds when the Government issued these bonds at 9.5 percent on 21 October 1999. PAR bond holdings of PDIC with face value of $8.0 million at 6.5 percent and book value of $5.43 million as of 21 October 1999 were exchanged for ROP Global Bonds worth $6.88 million. The exchange resulted to $1.45 million gain.

As of yearend 1999, investments reached P21.52 billion, 20.4 percent higher than previous year's P17.87 billion. More than 97 percent are in peso-denominated investments, while the rest are invested in dollar instruments. Income from both peso and dollar investments amounted to P2.68 billion, net of taxes paid. Return on peso investments (net of tax) for 1999 at 12.1 percent was lower than previous year's 13.6 percent, while return on dollar investments was computed at 5.5 percent (net of tax) compared to previous year's 6.0 percent.

Chart 2. PDIC INVESTMENTS, 1997-1999
(Million Pesos)

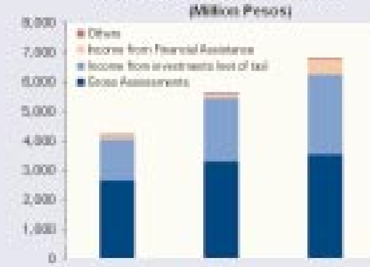


	1997		1998		1999	
	Amount	% Dist'n	Amount	% Dist'n	Amount	% Dist'n
Special Savings Deposits	-	-	187.20	1.0	92.00	0.4
Treasury Bills	1,020.45	7.6	93.96	0.5	258.52	1.2
FXT/Notes	4,704.45	34.8	6,839.94	38.3	7,222.01	33.6
FXT/Bonds	7,351.47	54.4	10,293.15	57.6	13,323.96	61.9
Dollar Time Deposits	229.39	1.7	257.17	1.4	346.18	1.6
PAR Bonds	207.67	1.5	208.10	1.2	-	-
ROP Global Bonds	-	-	-	-	277.13	1.3
Total	13,513.43	100.0	17,869.41	100.0	21,519.80	100.0

Results of Operations

Gross income for 1999 was recorded at P6.78 billion, 21.9 percent higher than previous year's P5.56 billion. Two major sources of income of the Corporation, assessments and income from investments, accounted for more than 90 percent of the gross income. Assessments from member banks aggregated P3.49 billion, P221.81 million or 6.8 percent higher than last year's level. Income from investments (net of tax) grew by 24.4 percent to P2.74 billion in 1999, of which P2.61 billion was realized from investing in treasury notes and bonds. Another source is income from financial assistance which grew from P93.74 million in 1998 to P508.87 million mainly due to recognition of deferred interest from Westmont Bank, now United Overseas Bank-Philippines (UOB-Philippines) amounting to P444 million.

Chart 3. GROSS INCOME, 1997-1999
(Million Pesos)

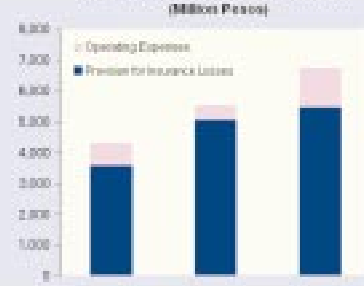


	1997	1998	1999
Gross Assessments	2,627.42	3,265.38	3,487.20
Income from Investments (net of tax)	1,416.93	2,198.72	2,736.45
Income from Financial Assistance	123.39	93.74	508.87
Others	154.32*	2.96	44.37*
GROSS INCOME	4,322.05	5,560.81	6,776.89

* Inclusive of foreign currency revaluation gain amounting to P151.84 million and P44.92 million for 1997 and 1999, respectively.

Expenses, on the other hand, totaled P6.72 billion, 21.9 percent higher than the 1998 level. Of the total, P5.46 billion or 81.2 percent comprised the provision for insurance losses. Operating expenses, inclusive of cost of bank rehabilitation amounting to P806.60 million, expanded to P1.26 billion from P461.39 million in 1998. Cost of bank rehabilitation refers to the 17 percent discount on the face value of assets repurchased by Westmont Bank as provided under the Financial Assistance Agreement entered into by PDIC and Westmont Bank in 1994 (see Note 16).

Chart 4. TOTAL EXPENSES, 1997-1999
(Million Pesos)



	1997	1998	1999
Provision for Insurance Losses	3,559.27	5,052.51	5,462.38
Operating Expenses	737.26	473.04*	1,260.45
TOTAL EXPENSES	4,296.53	5,525.55	6,722.82

* Inclusive of foreign currency revaluation loss amounting to P11.84 million.

Net income for 1999 at P54.07 million exceeded last year's level by P18.80 million or 53.3 percent. About 76 percent of net income was due to gain in foreign currency revaluation. For the year, the Corporation will remit P27.03 million or 50 percent of net income to the National Government as dividend.

Financial Position

Total assets of the Corporation grew by 3.2 percent from P24.50 billion as of yearend 1998 to P25.28 billion as of yearend 1999. Increase in assets is funded by assessments and income from investments. Investments in treasury notes and bonds, which expanded to P20.82 billion from P17.34 billion, accounted for more than 80 percent of total assets.

Financial assistance to banks declined from P2.69 billion to P223.12 million due to waiver of buyback of assets purchased from Westmont Bank amounting to P1.08 billion (exclusive of deferred interest of P444 million) as part of financial assistance to United Overseas Bank of Singapore which acquired Westmont Bank; reversal of Monte de Piedad and Savings Bank (now Keppel Monte Bank) loan account (P1.18 billion) recorded in PDIC books in 1997 and full payment made by Philippine Veterans Bank on its outstanding loan obligation of P19.95 million.

Subrogated claims receivable, or claims against closed banks arising from payment of insured deposits net of recoveries, amounted to P6.56 billion as of yearend 1999, 52.0 percent higher than last year's P4.32 billion. This is mainly due to payment of claims of depositors of 71 closed banks aggregating P3.27 billion, of which only P3.12 billion was booked as of yearend 1999. Recoveries for the year amounted to P878.69 million from the following banks: The Manila Banking Corporation (P852.62 million), Banco Primero (P24.07 million) and Rural Bank of Katipunan (P1.99 million). Allowance for losses on subrogated claims receivable rose from P2.30 billion to P4.44 billion as a result of increase in loss rates being applied to different types of banks (see Note 1g).

Other assets increased to P842.90 million from P93.93 million due to recognition in the PDIC books of deferred charges against Westmont Bank amounting to P739.46 million (see Note 6).

Liabilities of the Corporation totaled P21.98 billion as of yearend 1999, or an increase of 3.5 percent from last year's P21.23 billion. Estimated insurance losses, which accounted for more than 90 percent of the total liabilities, increased to P20.11 billion or 19.8 percent higher than previous year's level. This is intended to cover anticipated losses from member banks identified to have high probabilities of closure where payment of claims for insured deposits upon closure may exceed recovery of assets during liquidation (see Note 1f). Long-term liabilities decreased to P1.57 billion from P4.17 billion in 1998 as a result of the reversal of the P2.5 billion BSP-funded loan to Monte de Piedad and Savings Bank.

By yearend 1999, deposit insurance fund grew to P3.30 billion or P32.06 million higher than last year's P3.27 billion due to increase in retained earnings and donated surplus of P31.55 million and P0.51 million, respectively.

FUTURE DIRECTION

The dynamic changes in the financial industry have caused regulators to review their supervisory approaches to banking. The New General Banking Act was signed into law in May 2000 and the Central Bank Act is now being deliberated in Congress to enhance the legal framework within which the banking system operates. The Corporation, for its part, aims to promote public confidence in the banking system through deposit insurance. As a secondary mandate, it extends financial assistance to distressed banks. As a tertiary mandate, it is the mandatory receiver and liquidator of closed banks. Moreover, as insurer and bank supervisor, PDIC monitors and examines banks and undertakes prompt and prudent intervention in coordination with the BSP as primary regulator.

Amendments to the PDIC Charter are also forthcoming to further strengthen its role as insurer and receiver/liquidator of closed banks. Complementing BSP's role in bank supervision, PDIC shall continue to foster greater transparency and disclosure through its monitoring and examination function and extension of financial assistance to distressed banks, ultimately leading to greater depositor protection.

Closer coordination with the banking community shall be further enhanced to keep abreast with current developments essential in the formulation of more relevant policies. Moreover, closer partnership with the BSP shall be pursued to set procedures in the conduct of joint examinations as well as harmonize examination practices. Closer linkages with peer institutions in foreign countries shall be established to learn international best practices in deposit insurance schemes for possible adoption and implementation.

Internally, PDIC continually devises ways to improve its processes especially in servicing claims for insured deposits. Innovations are implemented to shorten turn-around-time (TAT) in servicing claims, i.e., period from bank closure to start of claims payment. While this was significantly shortened over the past years, the escalation of bank closures during the past three years exacted heavy demands on PDIC's limited manpower which adversely affected the established TAT, further worsened by such factors as temporary restraining orders (TROs) filed by owners of some closed banks and the poor maintenance of records of some banks, resulting in long and tedious process of reconciling records to come up with a master list of depositors. To resolve this problem, PDIC, in some instances, adopted schemes to immediately pay a portion of depositors' insured deposit claims without going through the usual rigid process of examination of deposits. Documentary requirements and procedures can be further simplified and this PDIC shall continually do in line with its commitment to promptly pay depositors of closed banks. Hand in hand with streamlining of processes and procedures, human resource development and information systems shall be given priority.

The successive closures of banks made evident the need to examine a more appropriate deposit insurance cover, which is currently pegged at P100,000 per depositor. As insurer, PDIC recognizes the need for greater depositor protection through increase in amount of insurance cover, but at the same time ensuring that such increase shall not encourage moral hazard.

Remaining committed to its mandate, PDIC shall constantly innovate towards more effective and efficient delivery of services.

COMPARATIVE STATEMENTS OF CONDITION

(In Thousand Pesos)				Inc(Dec)98-99	
	1997	1998	1999	Amount	%
ASSETS					
Current Assets					
Cash on Hand and In Banks (Note 2)	107,180	221,639	24,646	(196,993)	-88.9%
Short Term Investments (Note 3)	1,249,840	528,322	696,698	168,376	31.9%
Interest Receivable from Investments	417,290	444,440	508,045	63,605	14.3%
Other Current Assets (Note 4)	72,120	7,817	39,464	31,647	404.8%
Total Current Assets	1,846,430	1,202,218	1,268,853	66,635	5.5%
Long Term Investments (Note 5)					
Government Securities - Treasury Bonds (Dollar)	207,574	208,100	277,129	69,029	33.2%
Government Securities - Treasury Notes/ Bonds (Peso)	12,055,924	17,132,991	20,545,974	3,412,983	19.9%
Total Long Term Investments	12,263,498	17,341,091	20,823,103	3,482,012	20.1%
Financial Assistance to Banks (Note 6)	3,144,984	2,687,034	223,117	(2,463,917)	-91.7%
Due from BSP-Treasury (Note 7)		**1,325,000**	0	(1,325,000)	-100.0%
Subrogated Claims Receivable (Note 8)	3,203,433	4,315,936	6,559,074	2,243,138	52.0%
Less: Allowance for Losses on Subrogated					
Claims Receivable	1,943,005	2,305,590	4,440,064	2,134,474	92.6%
Subrogated Claims Receivable - Assigned	329,583	329,583	224,307	(105,276)	-31.9%
Net Subrogated Claims Receivable	930,845	1,680,763	1,894,703	213,940	12.7%
Fixed Assets (Note 9)	168,417	172,050	230,958	58,908	34.2%
Other Assets (Note 10)	85,547	93,933	842,897	748,964	797.3%
TOTAL ASSETS	18,439,721	24,502,088	25,283,631	781,543	3.2%

LIABILITIES, DEPOSIT INSURANCE FUND AND CONTINGENT SURPLUS	1997	1998	1999	Amount	%
LIABILITIES					
Current Liabilities (Note 11)	265,073	263,208	280,494	17,286	6.6%
Long Term Liabilities (Note 12)	2,846,000	4,171,000	1,569,600	(2,601,400)	-62.4%
Estimated Insurance Losses (Refer to Note 1)	12,092,490	16,782,414	20,110,315	3,327,901	19.8%
Other Liabilities (Note 13)	7,682	14,389	20,704	6,315	43.9%
TOTAL LIABILITIES	15,211,245	21,231,011	21,981,113	750,102	3.5%
DEPOSIT INSURANCE FUND					
Permanent Insurance Fund (Note 14)	3,000,000	3,000,000	3,000,000	0	0.0%
Donated Surplus		0	507	507	
Retained Earnings	227,861	270,009	301,563	31,554	11.7%
TOTAL DEPOSIT INSURANCE FUND	3,227,861	3,270,009	3,302,070	32,061	1.0%
CONTINGENT SURPLUS	615	1,068	448	(620)	-58.1%
TOTAL LIABILITIES, DEPOSIT INSURANCE FUND AND CONTINGENT SURPLUS	18,439,721	24,502,088	25,283,631	781,543	3.2%

COMPARATIVE STATEMENTS OF INCOME AND EXPENSE

(In Thousand Pesos)				Inc(Dec)98-99	
	1997	**1998**	**1999**	**Amount**	**%**
GROSS ASSESSMENT (Note 15)	**2,627,417**	**3,265,391**	**3,487,203**	221,812	6.8%
Less: EXPENSES					
Provision for Insurance Losses	3,559,266	5,052,509	**5,462,376**	409,867	8.1%
Operating Expenses* (Note 16)	737,259	461,393	**1,260,447**	799,054	173.2%
TOTAL EXPENSES	**4,296,525**	**5,513,902**	**6,722,823**	1,208,921	21.9%
Excess of Expenses over Assessment	**(1,669,108)**	**(2,248,511)**	**(3,235,620)**	(987,109)	43.9%
INCOME FROM INVESTMENTS (net of tax)					
Treasury Notes/ Bonds (Peso)	1,304,820	1,959,621	**2,607,180**	647,559	33.0%
Treasury Bills	76,079	187,479	**22,880**	(164,599)	–87.8%
Treasury Bonds (Dollar)	17,108	26,904	**26,066**	(838)	–3.1%
Time Deposit	8,823	15,221	**16,205**	984	6.5%
Regular and Special Savings Deposit	1,309	6,433	**7,475**	1,042	16.2%
Gain on Sale of Investments	8,788	3,059	**56,646**	53,587	1751.8%
TOTAL INCOME FROM INVESTMENTS (net of tax)	**1,416,927**	**2,198,717**	**2,736,451**	537,734	24.4%
INCOME FROM FINANCIAL ASSISTANCE	123,386	93,745	**508,870**	415,125	442.8%
GAIN ON SALE OF FIXED ASSETS	31	86	**0**	(86)	–100.0%
OTHER INCOME (Note 17)	2,348	2,873	**3,446**	573	19.9%
	1,542,692	**2,295,421**	**3,248,767**	953,346	41.5%
Net Income (Loss) Before Foreign Currency Revaluation	**(126,416)**	**46,910**	**13,147**	(33,763)	–72.0%
Gain (Loss) in Foreign Currency Revaluation	151,940	(11,644)	**40,920**	52,564	–451.4%
NET INCOME	**25,524**	**35,266**	**54,066**	18,800	53.3%

Note: Prior years' presentation was adjusted for comparison.

* Inclusive of cost of bank rehabilitation amounting to P345.67 million in 1997; P38.23 million in 1998 and P806.60 million in 1999.

COMPARATIVE STATEMENTS OF CASH FLOWS

(In Thousand Pesos)				Inc(Dec)98-99	
	1997	1998	1999	Amount	%
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from member banks for assessments	2,627,144	3,263,605	3,483,882	220,277	6.7%
Income from savings deposits	1,638	7,849	9,432	1,583	20.2%
Collections of interest on financial assistance	105,946	85,639	36,683	(48,956)	–57.2%
Income from investments	1,725,500	2,472,303	2,769,155	296,852	12.0%
Collections of various receivables	3,233	5,714	7,291	1,577	27.6%
Collections from subrogated claims	9,760	7	878,686	878,679	12552553.99%
Miscellaneous income	4,401	2,119	1,728	(391)	–18.5%
Various inflows	0	14,012	742	(13,270)	–94.7%
Expenses incurred for R/L of closed banks	(5,237)	(6,059)	(4,287)	1,772	–29.2%
Payments to suppliers	(59,014)	(101,048)	(91,997)	9,051	–9.0%
Payments to employees	(157,673)	(147,796)	(159,039)	(11,243)	7.6%
Remittances to BIR, HDMF, GSIS, etc.	(35,470)	(31,921)	(41,055)	(9,134)	28.6%
Final taxes and other prepaid expenses	(210,024)	(92,320)	(100,695)	(8,375)	9.1%
Payment of interest on BSP loans	(128,576)	(129,285)	(128,576)	709	–0.5%
Payment of insured deposits	(76,692)	(1,112,568)	(3,121,943)	(2,009,375)	180.6%
Various outflows	(100,206)	(201,964)	(211,442)	(9,478)	4.7%
Net Cash Provided by Operating Activities	3,704,730	4,028,286	3,328,564	(699,722)	–17.4%
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from matured investments	4,382,167	3,451,929	7,122,557	3,670,628	106.3%
Gain from sale/exchange of investment	8,788	3,059	56,645	53,586	1751.7%
Collection of financial assistance granted to member banks	129,451	457,951	203,916	(254,035)	–55.5%
Investment made by BSP FAO PDIC		(1,325,000)	0	1,325,000	–100.0%
Investments	(7,977,013)	(7,803,211)	(10,760,270)	(2,957,059)	37.9%
Financial assistance granted to member banks	(1,500,000)	0	0	0	
Proceeds from sale of fixed assets	31	86	0	(86)	–100.0%
Capital expenditures	(5,181)	(4,440)	(71,564)	(67,124)	1511.8%
Net Cash Provided by Investing Activities	(4,961,757)	(5,219,626)	(3,448,716)	1,770,910	–33.9%
CASH FLOWS FROM FINANCING ACTIVITIES					
Borrowings from BSP for financial assistance	1,175,000	1,325,000	0	(1,325,000)	–100.0%
Payment of loans to CB-BOL/BSP	0	0	(101,400)	(101,400)	0.0%
Asian Development Bank grant		0	507	507	0.0%
Payment of dividend to National Government	(12,221)	(12,762)	(8,816)	3,946	–30.9%
Prior Period Adjustment to Retained Earnings	0	0	0	0	0.0%
Net Cash Provided by Financing Activities	1,162,779	1,312,238	(109,709)	(1,421,947)	–108.4%
Effect of Foreign Currency Revaluation	151,940	(6,440)	32,867	39,307	–610.4%
Net Increase in Cash	57,692	114,458	(196,993)	(311,452)	–272.1%
Cash and Cash Equivalents at Beginning of Year	49,488	107,180	221,639	114,459	106.8%
Cash and Cash Equivalents at End of Year	107,180	221,639	24,646	(196,993)	–88.9%
Net Increase in Cash	57,692	114,458	(196,993)	(311,452)	–272.1%

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.
c. Details may not add up to total due to rounding.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis for Recording

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

b. Assessment

Member banks are assessed a maximum of 1/5 of 1 percent per annum and collected on a semestral basis. The amount of assessment is based on the average of deposit liabilities as of the end of March and June for the first semester and as of end of September and December for the second semester. Assessments are payable by banks not later than July 31 and January 31 for the first and second semesters, respectively. Late payment of assessment will be charged interest and penalty. Failure or refusal by any member bank to pay any assessment due may lead to termination of its insured status.

c. Financial Assistance

The Corporation may grant financial assistance to a member bank in danger of closing if there is a viable rehabilitation plan, strong management and full restoration of capital. The cost to PDIC of such assistance, however, should be less than the cost PDIC expects to incur if the bank were to be closed. Financial assistance may be in the form of loans, purchase of assets, assumption of liabilities or placement of deposits to the recipient bank.

d. Investments

Unutilized funds are invested in treasury bills, notes and bonds (both peso and dollar) and are recorded at cost. Income from these investments is accrued over the term of the instrument. Final taxes paid upon placement are booked as Prepaid Taxes and amortized over the term of the placement.

e. Dollar-Denominated Assets

Dollar-denominated assets are carried at the value as of transaction date and revalued at the applicable exchange rate at yearend.

f. Insurance Reserves

The Corporation records an estimated loss for banks not yet closed but identified through a monitoring process as likely to fail in the future. This finding of probability of closure is the basis for determining existence of a loss contingency that triggers loss recognition as defined in Statement of Financial Accounting Standards (SFAS) No. 7. The amount of estimated loss is determined on an annual basis and reflects the best estimate as to adequacy of reserves against future losses.

Booked is a general provision called Estimated Insurance Losses intended to adequately cover anticipated losses from member banks identified to have high probabilities of closure where insurance payments may exceed recovery of assets during liquidation. Until 1995, estimates of the amount of annual provision were based mainly on past recovery/loss rate on subrogated claims. This has been constantly enhanced such that a new methodology of estimating insurance losses was implemented in 1996 and modified every year thereafter to suit current conditions. The new methodology involves three basic steps: 1) assessment of risk of bank closures using as basis a watchlist which identifies and categorizes banks according to degree of probability of failure, 2) estimating the historical recovery/loss rates on subrogated claims, and 3) application of rate of loss on live banks identified in step 1 as having probability of closure, i.e., 53 for rural banks, 45 percent for thrift banks and 20 percent for commercial banks. This is presented as a liability.

Note: Starting January 2000, Estimated Insurance Losses will be classified as part of capital account in compliance with the recommendation of the Commission on Audit.

g. Allowance for Uncollectible Accounts

Receivables arising from the Corporation's functions as insurer of deposits and receiver/liquidator of closed banks are provided allowance for doubtful recovery. Allowance for Losses on Subrogated Claims Receivable (payments made by the Corporation on insurance claims, see Note 8) is estimated using historical rates of losses on each type of closed bank. This is presented as a reduction from the receivables using the loss rates:

	Banks closed in 1999	Banks closed prior to 1999
Rural Banks	53%	53%
Thrift Banks	84%	66%
Commercial Banks	0	68%

Expenses incurred by the Corporation in performing its receivership and liquidation functions are recoverable from closed banks *(booked as Accounts Receivable-Receivership and Liquidation,* see Note 10*)* and are provided an allowance for probable losses computed at 70 percent of total receivables outstanding at year-end.

h. Accumulated Assessment Losses

Pursuant to Section 6(d) of R.A. 3591, As Amended, accumulated assessment losses [insurance assessment collected from banks minus a) operating costs and expenses of the Corporation; b) additions to reserves to provide for insurance losses; and c) insurance losses sustained plus losses from preceding years in excess of such reserves] shall be carried forward to be applied on assessments becoming due in subsequent years. For the year 1999, assessment losses amounted to P3.83 billion where P3.24 billion was absorbed by investment and other income leaving P593 million loss to be charged against assessments due in 2000.

i. Inventories

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

j. Fixed Assets

Fixed assets are carried at cost and depreciated using the straight line method as follows:

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

Starting April 1997, estimated useful life of furniture, fixtures, equipment and books was revised from 5 to 3 years.

k. Employee Benefit Plan

The Corporation has a contributory Provident Fund covering all employees. The fund is divided into provident fund and housing fund. Employee contributes 5 percent of basic salary to each fund while the Corporation puts in a total of 45 percent. Corporate contribution is vested to the employee after completing a year of service in the Corporation.

l. Accumulated Net Income Account

Recording of prior period adjustments is made in compliance with SFAS No. 13. The Corporation considers as material prior period adjustments amounting to P1.0 million.

NOTE 2 - CASH ON HAND AND IN BANKS

This account includes the following:

	1998	1999
	(In Thousand Pesos)	
Cash on Hand [a/]	98,145	148
Cash in Bank - Principal Accounts [b/]	954	1,304
Cash in Bank - Settlement of Claims [c/]	22,117	8,924
Cash in Bank - Transferee Banks [d/]	100,416	14,262
Due from BSP	7	7
Total	221,639	24,645

a/ Cash on Hand balance includes Checks and Other Cash Items amounting to P136 thousand.
b/ Cash in Bank - Principal Accounts refers to payroll and corporate operating funds.
c/ Cash in Bank - Settlement of Claims refers to funds for payment of insured deposits in closed banks whereby disbursement officers of the Corporation are deployed to closed banks to service claims of depositors.
d/ Cash in Bank - Transferee Banks refers to funds for payment of insured deposits in closed banks whereby the Corporation enters into an agreement with Land Bank branches within the vicinity of the closed banks and transfers funds to said LBP branch(es) for the latter to undertake the actual payoff.

NOTE 3 - SHORT TERM INVESTMENTS

This account includes the following:

	1998	1999
	(In Thousand Pesos)	
Treasury Bills [a/]	83,948	258,516
Dollar Time Deposits [b/]	257,174	346,182
Special Savings Deposits	187,200	92,000
Total	**528,322**	**696,698**

a/ Includes Cash Management Bills with terms ranging from 15 to 334 days and yield of 7.5 percent to 9.38 percent.
b/ With terms ranging from 91 to 120 days and yield of 5.19 percent to 5.83 percent.

NOTE 4 - OTHER CURRENT ASSETS

This account consists of the following:

	1998	1999
	(In Thousand Pesos)	
Accrued Interest on Financial Assistance [a/]	328	28,753
Prepaid Expenses [b/]	2,282	4,116
Inventory of Supplies and Materials [c/]	3, 095	4,043
Accounts Receivable [d/]	1,338	1,568
Due from Officers and Employees	232	121
Others	542	863
Total	**7,817**	**39,464**

a/ This represents the balance of interest on the outstanding financial assistance to Westmont Bank before it was acquired by United Overseas Bank of Singapore. Said amount was paid in February 2000.
b/ These include prepaid taxes on treasury bills, P2.22 million; property/health insurance, P1.38 million; others, P0.52 million.
c/ Includes semi-expendable supplies and materials booked under Inventory account in compliance with Commission on Audit (COA) regulations.
d/ These are cash advances of officers and staff for training and travel expenses.

NOTE 5 – LONG-TERM INVESTMENTS

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

	1998	1999
	(In Thousand Pesos)	
Government Securities – Global Bonds (Dollar)	208,100	277,129
Government Securities – Treasury Bonds (Peso)	17,132,991	20,545,974
Total	**17,341,091**	**20,823,103**

Increase in long-term investments was funded by assessments collected from banks and interests from fixed rate treasury notes/bonds.

NOTE 6 - FINANCIAL ASSISTANCE TO BANKS

This account is composed of assistance to the following:

	1998	1999
	(In Thousand Pesos)	
Philippine Veterans Bank [a/]	19,951	-
Westmont Bank [b/]	1,162,500	-
Monte de Piedad and Savings Bank [c/]	1,175,000	-
Non-interest bearing notes of various rural banks through Land Bank [d/]	329,583	223,117
Total	**2,687,034**	**223,117**

a/ Philippine Veterans Bank paid in full its obligations amounting to P19.951 million.

b/ Outstanding balance of Westmont Bank (in the form of buyback of assets purchased from Westmont Bank) amounting to P1.085 billion plus deferred interest of P0.444 billion waived per PDIC Board Resolution No. 1999-09-070 dated 16 September 1999 as financial assistance to United Overseas Bank of Singapore which acquired Westmont Bank.

c/ The Monte de Piedad and Savings Bank account made under funding arrangement with BSP was reversed in compliance with COA's position that it should be an off-book account. Similar assistance were granted as follows:

United Overseas Bank - Philippines	- P 6.800 billion
Comsavings Bank	- P 3.000 billion
Allied Bank/Orient Bank	- P 4.678 billion (P3.83 billion released in 1999)

d/ Land Bank paid matured promissory notes under the Countryside Financial Institution Enhancement Program amounting to P106.47 million.

NOTE 7 - DUE FROM BSP - TREASURY DEPARTMENT

In 1997, BSP funded PDIC P1.175 billion to lend to Monte de Piedad (see Note 6c). BSP released a second loan amounting to P1.325 billion which was invested by the BSP Treasury Department to further support this transaction. This was removed from the PDIC books in 1999 pursuant to COA's position on the matter. Similar arrangements with BSP made in 1999 were no longer reflected in the books.

NOTE 8 - SUBROGATED CLAIMS RECEIVABLE

This refers to PDIC's claims against closed banks arising from payment of insured deposits. 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 Enhancement Program administered jointly by PDIC, Land Bank of the Philippines (LBP) and BSP. Receivable from LBP under Note 6 is due at the end of 7 years from issuance of negotiable promissory notes by LBP to the availing rural bank and collection thereon will be used to redeem the subrogated claims assigned to BSP. These promissory notes were issued to various rural banks between 1992 and 1996. Those that matured in 1999 paid by LBP were remitted to BSP amounting to P105.28 million.

This account is composed of the following:

	1998	1999
	(In Thousand Pesos)	
Total Subrogated Claims Receivable	4,497,026	7,618,850
Less: Recoveries	181,090	1,059,776
Subrogated Claims Receivable (Net)	4,315,936	6,559,074
Less: Subrogated Claims Receivable Assigned	329,583	224,307
Allowance for Losses	2,305,590	4,440,065
Net	1,680,763	1,894,702

In 1999, 33 banks were ordered closed by the Monetary Board with total deposit liabilities of P3.67 billion consisting of 240,091 accounts. Payment of claims for insured deposits in banks where claims settlement operations started in 1999 amounted to P2.38 billion involving 44,847 accounts. Of the total, P2.27 billion involving 40,870 accounts was paid in 17 of the 33 banks closed in 1999.

NOTE 9 - FIXED ASSETS

This account includes the following:

	1998	1999
	(In Thousand Pesos)	
Land in Process [a/]	26,206	26,206
Building in Process [a/]	146,720	146,720
Land [b/]	-	67,305
Building [b/]	-	2,443
Furniture, Fixtures, Equipment and Books	97,019	97,269
Total	269,945	339,942
Less: Allowance for Depreciation	97,895	108,985
Total Net Book Value	172,050	230,957

a/ The Chino Roces property was obtained by virtue of a Deed of Conditional Sale executed between the Asset Privatization Trust (APT) and PDIC on 25 August 1989. The purchase price of P33.95 million was put in escrow account with the Land Bank of the Philippines since there were still uncancelled liens and encumbrances on the title of the property at the time of the execution of the Deed of Conditional Sale. APT is now taking steps to cancel the annotations on the Transfer Certificate of Title. Until the said condition is fulfilled, PDIC is not entitled to the issuance of a new title in its name. As of yearend 1999, total fund level in escrow amounted to P155.11 million.

b/ Closed Banco Primero Development Bank property located in Pasay City was acquired by PDIC in 1999 as payment for subrogated claims and receiver/liquidator expenses aggregating P24.37 million.

Depreciation expense for 1998 and 1999 amounted to P15.15 million and P14.49 million, respectively.

NOTE 10 - OTHER ASSETS

This account includes the following:

	1998	1999
	(In Thousand Pesos)	
Accounts Receivable:		
Financial assistance to various banks which were subsequently closed [a/]	158,084	158,084
Various Closed Banks – Receivership and Liquidation Expenses [b/]	114,111	145,439
Provident Fund [c/]	24,718	25,410
Other Banks-Assessment Deficiencies [d/]	12,817	12,817
Sub-total	309,730	341,749
Others [e/]	2,202	741,088
Total	311,932	1,082,837
Less: Allowance for Probable Losses	217,999	239,940
Net	93,933	842,897

a/ These are financial assistance granted to various banks which failed to recover and eventually closed. A 100 percent allowance is 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 percent of total receivables from closed banks outstanding at year-end is provided in view of the low recovery rate (see Note 1g).
c/ This represents seed money for the provident and housing funds (P10 million) and car fund (P15.41 million).
d/ These are outstanding assessment deficiencies under protest by Republic Planters Bank (P0.14 million) and Citibank (P12.67 million).
e/ Includes Deferred Charges against Westmont Bank amounting to P740 million representing excess of least cost amount of P789 million of the total amount of P1.529 billion condoned by PDIC (see Note 6). The P740 million may be recoverable over six years from interest differential on government securities held by PDIC for the account of United Overseas Bank-Philippines.

NOTE 11 - CURRENT LIABILITIES

This account includes the following:

	1998	1999
	(In Thousand Pesos)	
Accrued Interest Payable to BSP	119,190	129,765
Accounts Payable – Various	81,493	71,456
Others	62,525	79,273
Total	263,208	280,494

The interest on loans payable to BSP is payable annually every 2nd of July (see Note 12). The Accounts Payable-Various refers to the amount due to various suppliers/creditors. Classified under Others are: a) Due to officers and employees (P12.09 million); b) Provision for Retirement (P31.33 million); and c) Dividends Payable to the National Government representing 50 percent of Net Income for 1999 (P27.03) and half of 1998 dividends not yet remitted (P8.82 million).

NOTE 12 - LONG-TERM LIABILITIES

These consist of: (a) P1.420 billion loan from BSP at 8.5 percent which will mature on 2 July 2013, proceeds of which were used to service insurance claims in the 1980s; and (b) a P150 million loan from BSP at 9.9 percent used to provide financial support in the merger of several rural banks. The P2.5 billion loan from BSP which was relent for the rehabilitation of Monte de Piedad and Savings Bank in 1997 was reversed as discussed in Notes 6c and 7.

NOTE 13 – OTHER LIABILITIES

This account includes the following:

	1998	1999
	(In Thousand Pesos)	
Deferred Assessment	302	601
Deferred Service Income	11,731	16,968
Deferred Credits	2,356	3,135
Total	14,389	20,704

Deferred Assessment refers to overpayment by banks which shall be credited to subsequent assessment period, while Deferred Service Income refers to reimbursement of part of salary and other benefits of PDIC officials supervising receivership and liquidation function temporarily booked as such pending actual collection. These are charged to closed banks (under Accounts Receivable - Receivership and Liquidation) and shall be reversed as a reduction to operating expense upon collection. Deferred Credits account refers to the contra-account of Inventory of Supplies and Materials - Semi - Expendable booked as such in compliance with COA regulations (see Note 4c).

NOTE 14 - PERMANENT INSURANCE FUND

This is the total capital provided by the National Government by virtue of R.A. 3591, as amended. The full capitalization was reached in 1994 with the conversion to equity of the National Government the P977.8 million obligation of PDIC to the then Central Bank of the Philippines.

NOTE 15 - GROSS ASSESSMENT

This represents assessment collected from member banks (see Note 1b). Assessments collected during the past two years were as follows:

	1998	1999
	(In Thousand Pesos)	
Commercial Banks	2,891,882	3,086,869
Thrift banks	291,061	324,484
Rural Banks	82,448	75,850
Total	3,265,391	3,487,203

NOTE 16 – OPERATING EXPENSES

This includes (1) interest on BSP loans amounting to P139.86 million and (2) cost of bank rehabilitation consisting of 17 percent discount on the face value of assets repurchased by Westmont Bank as provided under the Financial Assistance Agreement entered into by PDIC and Westmont Bank in 1994 whereby the latter is required to repurchase the assets (loan portfolio) purchased by PDIC - P17.57 million, and the least cost portion (P789 million) of the total amount of P1.529 billion obligation of Westmont Bank waived by PDIC per Board Resolution No. 1999-09-070 dated 16 September 1999 (see Note 6) as financial assistance to United Overseas Bank of Singapore which acquired Westmont Bank. The remaining balance of P740 million is booked to assets as Deferred Charges as the amount may be recovered over 6 years through interest differential on investments in government securities held by PDIC for the account of United Overseas Bank-Philippines.

NOTE 17 – OTHER INCOME

Among those included in this classification are leasehold payments for office space by closed Pacific Bank, interest and penalties on late payment of assessments, dividends from PLDT, and proceeds from sale of old newspapers.

NOTE 18 - CONTESTED BILLINGS

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

Name of Bank	**Assessment Deficiency** (In Thousand Pesos)	**Escrow Deposits**	**Trustee**
Maybank (PNB – RB)	1,712	1,085	PNB
Citibank, N.A.	304,342	299,800	BSP
Total	306,054	300,885	

The following banks have yet to maintain escrow deposits:

Name of Bank	Assessment Deficiency (In Thousand Pesos)	Escrow Deposits
Bank of America	113,535	-
Hongkong and Shanghai Bank	134,996	-
Total	248,531	-

NOTE 19 - STATEMENT OF CONDITION OF BANKS UNDER RECEIVERSHIP AND LIQUIDATION

Type of Bank	**No. of Closed Banks**	**Assets** As of 31 December 1999 (In Thousand Pesos)	**Liabilities**
Commercial	2	6,357,209.79	10,009,210.68
Thrift	45	6,744,447.38	7,091,798.31
Rural	317	3,523,845.63 *	17,100,744.78 *
Total	364	16,625,502.79	34,201,753.77

* Excludes the 17 rural banks in the Lanao provinces closed by the Monetary Board in November 1998 and taken over by PDIC through the publication of Notice of Closure and Receivership.

NOTE 20 - UNPAID CLAIMS

As of yearend 1999, total claims for insured deposits filed with PDIC but still unpaid amounted to P680.58 million involving 40,328 accounts due to various reasons such as: a) awaiting depositors to claim payment of their insured deposits; b) awaiting depositors to submit documents necessary to complete their claims; c) awaiting resolution of legal issues/verification of deposits claimed.

EDGARDO B. ESPIRITU [1]

As Secretary of the Department of Finance (DoF), Mr. Espiritu also serves as Chairman of the PDIC Board of Directors, and at the same time represents the Philippines as Governor to the Asian Development Bank and the World Bank Group and as Alternate Governor to the International Monetary Fund. Prior to his appointment at DoF, Mr. Espiritu was President/ Chief Executive Officer of Westmont Bank.

In recognition of his performance in the banking community, Secretary Espiritu received various citations and awards which include, among others, Outstanding Performance in the Field of Banking (1994) given by the U.P. Law Alumni Association, The Outstanding Filipino (TOFIL) in the Field of Banking (1989) from the Philippine Jaycees Senate, Banker of the Year (1987) from the Bank Administration Institute (Philippine Chapter), and Upsilon Noble and Outstanding Awards (1987) from the Upsilon Sigma Phi Alumni Association.

A member of various civic and professional organizations, Mr. Espiritu completed his Bachelor of Laws from the University of the Philippines, and received an Honorary Doctorate Degree in Bank Management from the University of Baguio in 1988.

JOSE T. PARDO

Mr. Jose T. Pardo was appointed Secretary of Finance on 8 January 2000. As Finance Secretary, he also serves as Governor for the Philippines to the Asian Development Bank, the World Bank, and the International Fund for Agricultural Development, and Alternate Governor for the Philippines to the International Monetary Fund. He is also Chairman of various government entities such as the PDIC Board, Land Bank of the Philippines, Trade and Investment Development Corporation, Committee on Privatization, and Mt. Pinatubo Commission. He also serves as member of the National Development Company, Development Academy of the Philippines, and Monetary Board.

Prior to his appointment to the Department of Finance, he was appointed Secretary of Trade and Industry, where he gained the reputation of being a ‘hard worker, innovator and the President’s trouble shooter’. His involvement in government started in 1992 when he joined the Ramos administration as a member of the Council of Economic Advisers and Commissioner of the Presidential Anti-Crime Commission. Before joining government, Mr. Pardo was President of the Philippine Seven Corporation (Philippine Area Licensee of 7-Eleven, USA), Wenphil Corporation (Philippine Area Licensee of Wendy’s, USA), Cable Entertainment Corporation and Land and Housing Dvelopment Corporation, among others.

Mr. Pardo is a recipient of various awards/honors, among which include: Productivity Excellence in Leadership-Industry Sector; Outstanding Rotarian, Rotary Club District; Outstanding Alumnus, De La Salle University Graduate School of Business; Founding Fellow, Asian Productivity Organization; and Papal Knight of St. Sylvester. He was also named one of the Ten Outstanding Young Men in 1972.

In the business circle, Mr. Pardo is an acknowledged business leader having been President of the Philippine Chamber of Commerce and Industry, and Chairman of the Philippine Franchise Association.

A member of various civic and professional organizations, Mr. Pardo completed his Bachelor of Science in Commerce, Major in Accounting in De La Salle University (DLSU). He also obtained his Masteral Degree in Business Administration from the same University, the first graduate under the Harvard - DLSU Advisory Program.

[1] Replaced by Jose T. Pardo as Secretary of the Department of Finance effective January 8, 2000.

ERNEST LEUNG [2]

Appointed 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. He spent most of his professional years with the Finance Department starting as Special Technical Assistant to the Minister of Finance, and later served as Assistant Secretary for International Monetary Affairs, and subsequently as Undersecretary. Concurrent to his position at DoF, he worked as Alternate Executive Director at the World Bank and International Monetary Fund. He was Acting Secretary of Finance prior to his appointment at PDIC.

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.

NORBERTO C. NAZARENO

Norberto C. Nazareno was appointed President and Chief Executive Officer of Philippine Deposit Insurance Corporation on April 1, 2000. He was President of Lisieux Inc., a management and financial consultancy firm, prior to his appointment.

From 1994-1999, he served as President and CEO of the Philippine Banking Corporation (PhilBank) and held directorship positions in various companies of PhilBank. He spent 19 years with Citibank N.A., serving in various capacities. He was President and Chief Executive Officer of Citicorp Securities, Inc. (1990-1994) prior to his transfer to PhilBank. He also served as Senior Vice President of State Investment House for five years.

Actively involved in the capital market and other sectors of the business community, he served as Governor and Treasurer of the Philippine Stock Exchange, Governor of Makati Stock Exchange, and Chairman of the Technical Committee of the Capital Market Development Council. He was also a member of the Board of Trustees of the Philippine Business for Social Progress, Director and Chair of the Ethics Board of the Financial Executives Institute of the Philippines, and Director of the Bankers' Association of the Philippines, among others.

Mr. Nazareno obtained both his Bachelor of Arts in Economics and Master in Business Management from the Ateneo de Manila University.

RAFAEL B. BUENAVENTURA [3]

Mr. Buenaventura assumed the position of Governor of the Bangko Sentral ng Pilipinas (BSP) on July 6, 1999, following a long and distinguished career of over thirty years in private commercial banking. Prior to his appointment as BSP governor, Mr. Buenaventura was President and Chief Executive Officer of the Philippine Commercial International Bank (PCIB) and Chairman of various companies of the PCIB Group for 10 years, during which PCIB was given recognition by top business magazines, e.g., Best Bank in the Philippines (1993-1997) by Euromoney Institute of Finance, Commercial Bank of the Year (1994-1996) from Asiamoney, among others. Previous to PCIB, he held senior positions in Citibank from 1965 to 1989, where he served as Chief Executive Officer of Citibank Philippines from 1982-1985, in Malaysia (1976-1979), and in Indonesia (1974-1976). Prior to his departure from the Bank, he was Senior Vice President and Division Executive for Southern Europe from 1985 to 1989, responsible for Italy, Spain, Portugal, Greece and Turkey.

[2] Replaced by Norberto C. Nazareno as President of PDIC effective April 1, 2000.
[3] Assumed governorship of the BSP replacing Gabriel C. Singson effective July 1, 1999.

Mr. Buenaventura served as President of the Bankers Association of the Philippines from 1994-1997, and Chairman of the ASEAN Banking Council from 1996-1997. He was a recipient of many business awards, including "One of Asia's Most Outstanding Bankers" by Asiamoney in 1991.

A Bachelor of Science in Commerce graduate of De La Salle University, Mr. Buenaventura took his MBA at Stern Graduate School of Business, New York University. He also attended the Advanced Management Program at Harvard University/University of Hawaii.

CESAR U. QUERUBIN

A lawyer, banker, and businessman, Mr. Querubin sits as Director in various corporations.

Mr. Querubin previously served as Executive Vice President of Citytrust Banking Corporation; President and Chief Executive Officer of the Boston Bank of the Philippines (now Bank of Commerce); Chairman of Penta Capital Investment Corporation; and Vice Chairman of Penta Capital Finance Corporation. He was a Director of the Bankers Association of the Philippines (BAP) for several years. He also provided consultancy services to the Bangko Sentral ng Pilipinas and Bank of Southeast Asia.

Aside from his banking experience, Mr. Querubin was a Bar Examiner, once in Taxation and twice in Mercantile Law. He spent fifteen years in the teaching profession, having served as professor and special lecturer in law, banking and finance, economics and business management in several law schools and universities.

CESAR S. ARNALDO

Mr. Arnaldo is currently Chairman and President of the Cavite Agro-Industrial and Development Corporation and C.F. Arnaldo, Inc. and Director of Himlayang Pilipino, Inc. Prior to his appointment at PDIC, he was Chairman and President of the Rural Bank of General Trias, Inc.

He is a recipient of many awards which include, among others, 1966 Business Man of the Year by the Radio and TV Broadcasters of the Philippines, Most Distinguished Alumni, and Most Outstanding Citizen of General Trias in 1981.

A Bachelor of Science in Commerce graduate of the University of Sto. Tomas, Mr. Arnaldo obtained his Master in Business Administration from the New York University.

LIST OF OFFICERS

PDIC BOARD OF DIRECTORS AND MANAGEMENT

Front row (L-R): *Cesar S. Arnaldo, Director; Norberto C. Nazareno, President/Chief Executive Officer and Vice Chairman; Secretary Jose T. Pardo, Chairman; Governor Rafael B. Buenaventura, Director; and Cesar U. Querubin, Director.* ***Standing (L-R):*** *Noemi R. Javier, Edita D. Villar, Catherine F. Bamba, Ma. Elena E. Bienvenida, Virginia P. Castillo, Rosalinda U. Casiguran, Ricardo M. Tan, Gumersindo C. Arroyo, Armando L. Quilala, Lourdes B. Abada, Ma. Ana Carmela L. Villegas, Elenita B. Vidal, and Rescina S. Bhagwani.*

Not in photo: *Aurora C. Baldoz and Pablo Y. Romero, Jr.*

CORPORATE DIRECTION AND CONTROL

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NORBERTO C. NAZARENO [1]
President

ESTER B. BINALLA
Corporate Executive Officer III

Office of the Corporate Board Secretary

VICTORIA P. MARTINEZ
Corporate Executive Officer II

Office of the Executive Vice President

RICARDO M. TAN
Executive Vice President

JOSE RAYMUNDO O. GONZALES
Corporate Executive Officer I

MA. CARMEN ROSARIO Z. RECITAS
Corporate Executive Officer I

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Vice President

Planning Center

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Assistant Department Manager II

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Corporate Executive Officer I

Information Technology Center

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Department Manager III

MADELAINE BARBARA M. FERNANDEZ
Corporate Executive Officer I

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Corporate Executive Officer I

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AURAMAR DE ONON-CALBARIO
Assistant Department Manager II

NIMFA D. CAMUA
Corporate Executive Officer I

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Vice President

FILOMENA E. JONGCO
Assistant Department Manager II

ZENAIDA A. VILLAROMAN
Assistant Department Manager II

CARLITO B. BANAAG
Corporate Executive Officer I

MARILOU G. MIRANDA
Corporate Executive Officer I

QURALENE P. PATALINGHUG
Corporate Executive Officer I

[1] Assumed office replacing Ernest Leung effective April 1, 2000.

LEGAL AFFAIRS SECTOR

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Senior Vice President

Legal Services for Operations Center

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Department Manager III

MA. LOLITA S. LIBUNAO
Assistant Department Manager II

ELAINE B. DETICIO
Attorney IV

Legal Services for Administration Center

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Department Manager III

MARIE HAZEL V. CIRIACO
Assistant Department Manager II

MA. LUISA R. MIRANDA
Attorney IV

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Vice President

R & L Litigation Center

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Department Manager III

NANCY L. SEVILLA
Assistant Department Manager II

MARIVIC C. ARRIOLA
Attorney IV

ROMEL M. BARRERA
Legal Officer IV

RICARDO C. ESTRABO
Legal Officer IV

NILO ALDRIN M. LUCINARIO
Legal Officer IV

Corporate Litigation Center

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Assistant Department Manager II

Investigation Center

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Department Manager III

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Assistant Department Manager II

ELISEO R. RAMALLOSA
Assistant Department Manager II

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Corporate Executive Officer I

SUSANNA R. CAROLINO
Corporate Executive Officer I

HERNANDO L. CATIGBE
Corporate Executive Officer I

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Vice President

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Department Manager III

MA. TERESA C. VESTAL
Corporate Executive Officer I

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Assistant Department Manager II

JANET B. AGUILA
Assistant Department Manager II

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Corporate Executive Officer I

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Corporate Executive Officer I

LOURDES H. ILARDE
Corporate Executive Officer I

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Vice President

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Corporate Executive Officer II

Field Examination Center I

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ALTEO C. MALABUYOC
Assistant Department Manager II

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Corporate Executive Officer I

MA. LUCILA H. REYES
Corporate Executive Officer I

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SHIRLEY G. FELIX
Assistant Department Manager II

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MA. ROSARIO T. MOJICA
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Failure Resolution Center

SANDRA A. DIAZ
Department Manager III

MA. ESTER D. HANOPOL
Assistant Department Manager II

JOSELITO LE VAN THAI
Corporate Executive Officer I

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[2] Assumed office effective June 16, 2000.

[3] Assumed office effective January 11, 2000.

CLAIMS, RECEIVERSHIP AND LIQUIDATION SECTOR

Office of the Senior Vice President - Claims, Receivership and Liquidation

GUMERSINDO C. ARROYO [4]
Senior Vice President

Office of the Vice President - Claims, Receivership and Liquidation I

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Vice President

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Claims Settlement Center

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Corporate Executive Officer I

MA. TERESA A. HERRERA
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Corporate Executive Officer I

MA. THERESA B. SALCOR
Corporate Executive Officer I

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RENATO N. PULIDO
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BERNARDO A. TABUGADER
Corporate Executive Officer I

Appraisal Unit

RAMON A. MAAMO
Assistant Department Manager II

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EDITA D. VILLAR
Vice President

MA. REDENCION S. DAVID
Corporate Executive Officer I

R & L Settlement Center

ALBERTO M. CRUZ
Assistant Department Manager II

RENATO R. ARGEL
Corporate Executive Officer I

DEMOCRITO L. BITANG
Corporate Executive Officer I

RIZALINA I. REPEDRO
Corporate Executive Officer I

Asset Administration and Recovery Center II

TERESITA D. GONZALES
Department Manager III

LEVY C. CRUZ
Assistant Department Manager II

IMELDA R. SALGADO
Assistant Department Manager II

LEON M. CABRADILLA
Corporate Executive Officer

MARY ANN C. CRISOSTOMO
Corporate Executive Officer I

FLORANTE D. LUCOS
Corporate Executive Officer I

R & L Support Services Unit

TERESA H. GARCIA
Assistant Department Manager II

ALEX N. MARAVILLA
Corporate Executive Officer I

CORPORATE SERVICES SECTOR

Office of the Senior Vice President - Corporate Services

VIRGINIA P. CASTILLO
Senior Vice President

Office of the Vice President-Finance

MA. ELENA E. BIENVENIDA
Vice President

Treasury Center

JOSEFINA G. COLIGADO
Department Manager III

MERLIE M. CAÑAVERAL
Assistant Department Manager II

RUTH A. REFRAN
Corporate Executive Officer II

MA. GINA G. MARTOS
Division Chief III

GLORIA M. VILLANUEVA
Division Chief III

[4] Assumed office effective June 16, 2000.

Accounting Center

GERONIMO V. AMBE
Department Manager III

FELY D. REYES
Assistant Department Manager II

THELMA B. ARIAS
Corporate Executive Officer I

JUANITO R. ENRIQUEZ
Division Chief III

SALUD E. MARGAJAY
Division Chief III

Office of the Vice President - Human Resource/Internal Services Management

LOURDES B. ABADA
Vice President

ASUNCION S. CALAPAN
Corporate Executive Officer I

Human Resource Management Center

DOMINGO Y. REYES, JR.
Department Manager III

ROSARIO F. ADVIENTO
Corporate Executive Officer II

ARACELI H. TABAC
Corporate Executive Officer I

EUGENE V. BORLONGAN
Division Chief III

VIRGILIO C. ESTANISLAO
Division Chief III

Internal Services Management Center

ZENAIDA P. BAUTISTA
Department Manager III

EUSTAQUIA M. QUITEVIS
Corporate Executive Officer III

JUAN V. LANTING
Division Chief III

ERNESTO R. TORRES, JR.
Division Chief III

Provident Fund Office

BENEFICO M. MAGDAY
Assistant Department Manager II

SIMEON B. KASALA, JR.
Chief Accounts Management Specialist

AFFILIATED ORGANIZATIONS

Provident Fund Office Board of Trustees

RICARDO M. TAN .... Chairman
PABLO Y. ROMERO, JR. .... Vice Chairman
BALDWIN L. SYKIMTE .... Member
RIZALYN P. JURADO .... Member

PDIC Employees' Organization (PHILDICEO)

BALDWIN L. SYKIMTE .... President
BERNARDINO A. TONGKO .... 1st Vice President
GEORGE BENEDICT O. CARREON ..... 2nd Vice President
EDMUNDO L. SAURA .... Treasurer
IMELDA K. MAGSINO .... Assistant Treasurer
MA. SARAH A. LUMBAN .... Secretary
MA. LENITA I. FLORIZA .... Accountant
FORTUNATO A. NICOLAS .... Auditor
ROBERTO G. FLORES .... PRO

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

VIVENCIO M. MANIAGO .... Chairman
RESCINA S. BHAGWANI .... Vice Chairman
ESTER B. BINALLA .... Secretary
CATHERINE F. BAMBA .... Board Member
IMELDA R. SALGADO .... Board Member
ZOSIMA D. LACONSAY .... Board Member
ERIBERTO B. MAGBUHAT .... Board Member

ORGANIZATIONALCHART

- BOARD OF DIRECTORS
  - OFFICE OF THE CORPORATE BOARD SECRETARY (OCBS)
  - OFFICE OF THE PRESIDENT (OP)
    - MANAGEMENT CONTROL OFFICE (MCO)
    - OFFICE OF THE SENIOR VICE PRESIDENT - LEGAL AFFAIRS SECTOR (OSVP-LAS)
      - OFFICE OF THE VICE PRESIDENT - LITIGATION & INVESTIGATION SERVICES (OVP-LIS)
        - INVESTIGATION CENTER (IC)
        - CORPORATE LITIGATION CENTER (CLC)
        - R/L LITIGATION CENTER (R/L LC)
      - OFFICE OF THE VICE PRESIDENT - LEGAL SERVICES (OVP-LS)
        - LEGAL SERVICES FOR OPERATIONS CENTER (LSOC)
        - LEGAL SERVICES FOR ADMINISTRATION CENTER (LSAC)
    - OFFICE OF THE VICE PRESIDENT - SPECIAL SERVICES (OVP-SS)
      - PLANNING CENTER (PC)
      - INFORMATION TECHNOLOGY CENTER (ITC)
      - CLIENT SERVICES & INFORMATION CENTER (CSIC)
    - OFFICE OF THE EXECUTIVE VICE PRESIDENT (OEVP)
      - OFFICE OF THE SENIOR VICE PRESIDENT - CLAIMS, RECEIVERSHIP & LIQUIDATION SECTOR (OSVP-CRL)
        - OFFICE OF THE VICE PRESIDENT - CLAIMS, RECEIVERSHIP & LIQUIDATION I (OVP-CRL I)
          - PRESETTLEMENT EXAMINATION CENTER (PEC)
          - CLAIMS SETTLEMENT CENTER (CSC)
          - DATA CENTER (DC)
        - OFFICE OF THE VICE PRESIDENT - CLAIMS, RECEIVERSHIP & LIQUIDATION II (OVP-CRL II)
          - R/L TAKEOVER CENTER (R/L TOC)
          - R/L ASSET ADM & RECOVERY CENTER I (AARC I)
          - APPRAISAL UNIT (AU)
        - OFFICE OF THE VICE PRESIDENT - CLAIMS, RECEIVERSHIP & LIQUIDATION III (OVP-CRL III)
          - R/L SETTLEMENT CENTER (R/L SC)
          - R/L ASSET ADM & RECOVERY CENTER II (AARC II)
          - R/L SUPPORT SERVICES UNIT (R/L SSU)
      - OFFICE OF THE SENIOR VICE PRESIDENT - INSURANCE & EXAMINATION SECTOR (OSVP-IES)
        - OFFICE OF THE VICE PRESIDENT - FIELD EXAMINATION GROUP (OVP-FEG)
          - FIELD EXAMINATION CENTER (FEC I)
          - FIELD EXAMINATION CENTER (FEC II)
        - OFFICE OF THE VICE PRESIDENT - INSURANCE & BANK PERFORMANCE MONITORING GROUP (OVP-IBPMG)
          - INSURANCE OFFICE (IO)
          - BANK PERFORMANCE MONITORING CENTER (BPMC)
        - OFFICE OF THE VICE PRESIDENT - SPECIAL ACTIONS & ASSISTANCE GROUP (OVP-SAAG)
          - FINANCIAL ASSISTANCE MGMT CENTER (FAMC)
          - FAILURE RESOLUTION CENTER (FRC)
      - OFFICE OF THE SENIOR VICE PRESIDENT - CORPORATE SERVICES SECTOR (OSVP-CSS)
        - OFFICE OF THE VICE PRESIDENT - FINANCE (OVP-FINANCE)
          - TREASURY CENTER (TC)
          - ACCOUNTING CENTER (AC)
        - OFFICE OF THE VICE PRESIDENT - HUMAN RESOURCE/INTERNAL SERVICES MGMT (OVP-HR/ISM)
          - HUMAN RESOURCE MGMT CENTER (HRMC)
          - INTERNAL SERVICES MGMT CENTER (ISMC)

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