



Philippine Deposit Insurance Corporation Annual Report 2005



MISSION

*We, as
Deposit Insurer,
Statutory Receiver and
Co-Regulator of Banks,
safeguard the interests of the depositing public
and thereby contribute to the promotion of
financial stability in the economy.*

CORE VALUES

*In our commitment to public service,
We value:*

INTEGRITY
PROFESSIONALISM
EXCELLENCE
TEAMWORK
RESPECT FOR ALL PEOPLE

VISION

*We will be **globally recognized** as among the
leaders in depositor protection.*



PHILIPPINE DEPOSIT INSURANCE CORPORATION

RICARDO M. TAN
President and Chief Executive Officer

March 2006

HER EXCELLENCY
PRESIDENT GLORIA MACAPAGAL-ARROYO
Malacañan Palace, Manila

Through : **Honorable MARGARITO B. TEVES**
Secretary, Department of Finance
Chairman, PDIC Board of Directors

Dear Madame President:

I have the honor to present the Annual Report of the Philippine Deposit Insurance Corporation for the year 2005. The Report chronicles the Corporation's achievements in strengthening depositor protection and promoting confidence in the banking system, a year after the passage of Republic Act 9302 amending the PDIC Charter.

On behalf of the PDIC Board of Directors, management, and staff, I convey our gratitude to Her Excellency for her support as we affirm our commitment to more effective depositor protection.

Very truly yours,

A handwritten signature in blue ink, appearing to be "Ricardo M. Tan", is written below the closing text.



PHILIPPINE DEPOSIT INSURANCE CORPORATION

RICARDO M. TAN
President and Chief Executive Officer

March 2006

Honorable FRANKLIN M. DRILON
President of the Philippine Senate

Honorable JOSE DE VENECIA, JR.
Speaker of the Philippine House of Representatives

Through : **Honorable MARGARITO B. TEVES**
Secretary, Department of Finance
Chairman, PDIC Board of Directors

Gentlemen:

I have the honor to submit the Annual Report of the Philippine Deposit Insurance Corporation for the year 2005 pursuant to Section 15 of Republic Act 3591, as amended. The Report presents PDIC's accomplishments and highlights of operations in its capacities as deposit insurer and co-regulator of banks; and statutory receiver and liquidator of closed banks.

On behalf of the PDIC Board of Directors, management, and staff, I thank you for your support in our commitment to safeguard the interests of the depositing public.

Very truly yours,

A handwritten signature in blue ink, appearing to be "Ricardo M. Tan", is written below the closing text.

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President's Report

The year 2005 signalled the birth of a new PDIC, driven by officers and employees selected through a corporate-wide reorganization which took effect on February 1, 2005. Strengthened by additional as well as restored powers from amendments to its Charter, the new Corporation marked its first year with a number of significant achievements, some of them attained for the first time.

During the year, the Corporation completed 120 final projects of distribution (FPODs), the highest level recorded since it assumed receivership and liquidation function in 1992. Among the FPODs completed were those of two banks ordered closed only in 2005 namely, Rural Bank of Vinzons, Inc. and Municipal RB of Del Gallego.

The block sale of the PDIC and government shares in the Philippine National Bank (PNB) was also successfully undertaken by way of public bidding. The winning bid of P8.14 billion from the Lucio Tan group made the sale the biggest privatization transaction since 1997. It earned for the Corporation about P306 million net of taxes and enabled the partial repayment of the loan from the Bangko Sentral ng Pilipinas (BSP) which funded the PNB debt-to-equity conversion.

In 2005, PDIC started to exercise its recently restored examination powers by conducting joint on-site examinations with the BSP on several banks. This underscored PDIC's role as co-regulator of banks.

The Corporation likewise exercised its new investigative powers by investigating a number of banks based on depositors' complaints and BSP's reports of examination. As a result thereof, Administrative Hearing Committees were created in cooperation with the Office of the General Corporate Counsel (OGCC) which will hear and recommend the appropriate actions and sanctions to the PDIC Board in administrative cases filed with the Philippine Deposit Insurance Corporation-Office of the General Counsel (PDIC-OGC).

For the first time since inception, the PDIC was able to link up with the Department of Education



(DepED) on a nationwide scale in the area of public awareness and depositor education through the PDIC-Basic Secondary Education (BSE) Module Development Project. A memorandum of understanding with the DepED was signed for the integration of information on PDIC and the value of saving in the high school curriculum. This is projected to reach about 5 million high school students in 5,000 public schools every year.

PDIC continued to build on past successes in various areas of operation, guided by its new mission and vision crafted as part of a medium term strategic planning exercise.

The Corporation sustained its ability to start claims settlement operations within a single digit turnaround time (TAT) in eight (8) out of the nine (9) banks ordered closed by the Monetary Board in 2005, achieving an average TAT of eight (8) days. PDIC paid P952.6 million or 95% of the total insured amount in said nine banks. This placed cumulative payouts at P14.96 billion or 92% of total insured deposits amounting to P16.21 billion in banks closed since the 1970s.

Judicious liquidation of the assets of 440 banks under liquidation as of yearend 2005 yielded P225.34 million in recoveries for the year. Proceeds of this, net of closed banks' operating expenses were pooled in a fund and invested in government securities prior to distribution to creditors. As of end 2005, the cumulative balance of said fund amounted to P4.049 billion. It earned P299.97 million in interest for 2005 alone.

The Deposit Insurance Fund (DIF), which is the capital account of the Corporation, grew by 14.1% from P41.61 billion to P47.47 billion. The current DIF level represented 52.7% of the target level of P90 billion projected to be achieved in 2011.

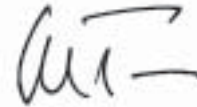
Gross income for the 12-month period reached P6.4 billion, 24.7% higher than the previous year's P5.1 billion. About 64% of the total income represented net income from investments of P4.13 billion. Net income after tax amounted to P211.86 million. Of this amount, 50% or P105.93 million would be declared as dividend to the National Government in compliance with Republic Act 7656.

The Corporation continued to strengthen institutional and external linkages as it actively participated in the periodic meetings of the Financial Sector Forum (FSF) and its subcommittees, as well as those of the International Association of Deposit

Insurers (IADI).

The PDIC commenced preparations for the 4th Annual International Association of Deposit Insurers-Asia Regional Committee (IADI-ARC) meeting and international seminar that would be co-hosted by the Asian Development Bank on February 16-17, 2006. The co-hosting of an international event, another "first" for the Corporation, would be a step towards global recognition of PDIC as among the leaders in depositor protection in keeping with the new Corporate vision statement.

Equally important to effectively carry out the new corporate mission and vision is PDIC's quest to continuously improve its structure and resources. Skills enhancement of personnel in its streamlined organization will continue, alongside sustained process improvements. Thus, manned by dedicated and highly competent officers and staff committed to public service excellence, the PDIC is primed to confront the challenges of a dynamic banking environment to better protect the depositing public.



Ricardo M. Tan
President and Chief Executive Officer



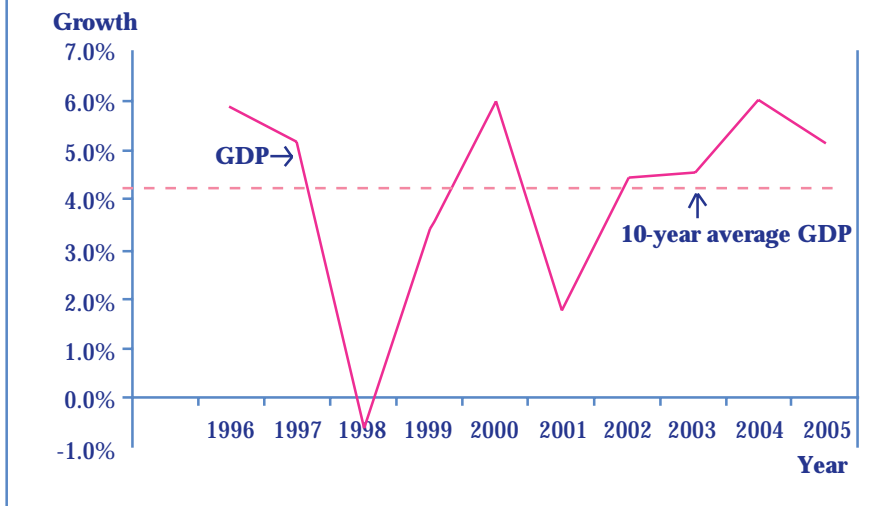
Economy and Banking

The Economic Environment

The Philippine economy grew in 2005 despite the stresses caused by the continued rise in global oil prices and threats to political stability. The Gross Domestic Product (GDP) increased by 5.1%, which was better than the 10-year average of 4.2% but slower than the 6.0% posted in 2004 because of weaker domestic demand and slower growth of the services sector.

Although remittances of overseas Filipinos reached record levels in 2005, growth in consumer demand decelerated to 4.9% from the 5.8% growth posted in 2004 due to higher level of prices. Consumer spending tapered as inflation rate rose to an average of 7.7% from 6.0% in the previous year. Public

Chart 1
GDP Growth Rates
 at 1985 Constant Prices, 1996-2005



consumption expenditures grew by 2.7% as the National Government had to keep the fiscal deficit to a minimum. The Government was successful in reducing the fiscal deficit to P146.5 billion in 2005, a level much lower than the target of P180 billion for the year with controlled spending, stepped up revenue generation, and strict adherence to cost-saving measures.

On the other hand, capital formation contracted by 4.3% in 2005 in contrast to an expansion of 9.5% the previous year as investor sentiments turned cautious because of lingering political tension.

Growth in exports markedly decelerated to 2.3% in 2005 from last year's 14.1%, weighed down heavily by slower demand for merchandise exports given increasing manufacturing costs and aggravated by stronger competition from neighboring countries.

On the production side, the Services Sector, which accounts for almost half of the country's GDP, continued to be the main driver of economic growth, posting an increase of 6.3% in 2005 against 7.1% the prior year. Financial Services grew by 15.4% as banks turned in a robust performance in spite of the

Table 1
Gross National Product and Gross Domestic Product
Annual Growth Rates (%)
At constant 1985 prices

Account	2003	2004	2005
Gross Domestic Product (GDP)	3.3	6.0	5.1
Net Factor Income from the Rest of the World	9.2	8.5	13.8
Gross National Product (GNP)	3.7	6.2	5.7
By Expenditure			
Personal Consumption	5.3	5.8	4.9
Government Consumption	(3.6)	-	2.7
Capital Formation	(8.6)	9.5	(4.3)
Exports	4.1	14.1	2.3
Imports	9.8	5.9	1.8
By Industrial Origin			
Agriculture, Fishery and Forestry	3.9	4.9	2.0
Industry	2.0	5.2	5.3
Services	5.4	7.1	6.3

Source of basic data: National Statistical Coordination Board

difficulties experienced by the pre-need industry.

The Industry Sector posted a growth of 5.3%, with the Mining and Quarrying Industry recording the highest growth of 9.3%. This was due to the Supreme Court ruling overturning an earlier decision that declared Republic Act No. 7942 (Mining Act of 1995) which allowed 100 percent foreign ownership in mining explorations as unconstitutional. Manufacturing went up by 5.6%. Construction and Electricity, Gas, and Water reported slower increments compared to their 2004 growth levels, at 4.3% and 2.5%, respectively.

The Agriculture Sector registered a slower growth of 2.0% in 2005 from 4.9% in 2004 due to the adverse effects of mild drought, higher farm input costs and problems in post-harvest processes especially in the production of major crops like corn and sugarcane. The slowdown in palay, poultry and fisheries were significant enough to dampen the otherwise notable gains from livestock, coconut, banana and other crops.

Outlook for the economy in 2006 is optimistic as the Government's pursuit of fiscal reforms began to bear fruit. The yearend fiscal deficit was much lower than the target for 2005

Chart 2
2005 Monthly Inflation, 91-Day T-bill and Peso/\$ Exchange Rates

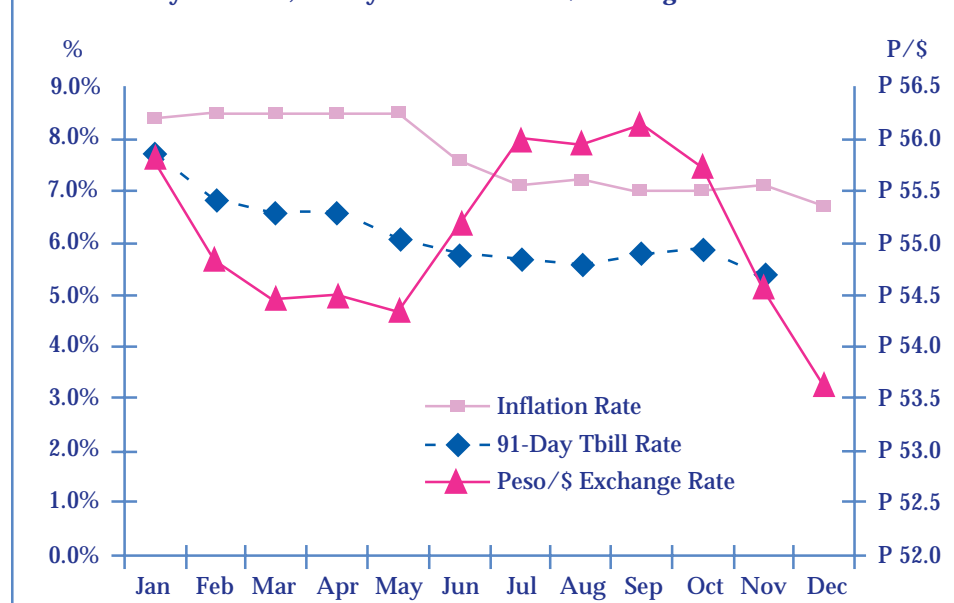


Table 2
Selected Indicators on the Philippine Banking System, 2003-2005
Amounts in Billion Pesos

Statement of Condition	2003	2004	2005
Total Assets	3,661	4,024	4,318
Of which:			
Investments ^{a/}	991	1,249	1,284
Gross Loans	1,982	2,024	2,154
Non-Performing Loans	292	260	193
Real and Other Properties Acquired (ROPA) - Gross	239	248	235
Non-Performing Assets	523	497	414
Total Liabilities	3,182	3,518	3,800
Of which:			
Total Deposits	2,469	2,767	2,971
Demand	329	363	402
Savings	1,471	1,496	1,488
Time	668	908	1,082
Borrowings	382	387	465
Capital	480	506	518
Income & Expense			
Interest Income	205	243	279
Loans & Discounts	137	161	180
Investments	58	74	88
Interest Expense	102	115	131
Net Interest Income	103	128	149
Other Operating Income	71	61	69
Other Operating Expense	120	133	147
Provisions	24	20	23
Net Operating Income	30	37	48
Net Income After Tax	40	35	44
Selected Ratios (%)			
Capital Adequacy			
Capital/Risk Assets	13.2%	13.5%	13.0%
Non-Performing Loans/Capital	51.9%	43.3%	32.0%
Non-Performing Assets/Capital	92.9%	82.8%	68.6%
Asset Quality			
Non-Performing Loans (NPL)/Gross Loans	14.7%	12.9%	9.0%
ROPA Gross/Total Assets	6.2%	5.9%	5.2%
Non-Performing Assets (NPA)/Total Assets	13.6%	11.8%	9.2%
Loan Loss Provision/NPL	55.1%	61.3%	75.0%
Profitability			
Net Income After Tax/Average Equity (ROE)	8.5%	7.1%	8.6%
Net Income After Tax/Average Assets (ROA)	1.1%	0.9%	1.1%
Liquidity			
Quick Assets/Total Deposits	47.9%	53.2%	53.0%
Gross Loans/Total Deposits	80.3%	73.2%	72.5%
No. of PDIC Member Banks	897	891	879

Source: Insurance and Risk Assessment Data Department (IRADD), PDIC

^{a/} Composed of Trading Account Securities, Available for Sale Securities, Investments in Bonds & Other Debt Instruments Underwriting Equity

and with the lifting of the restraining order on the Reformed Value-Added Tax (RVAT) law in October, the deficit target for 2006 seems achievable with increased revenues. Less uncertainty and improving outlook for the economy was reflected in the decline in the reference 91-day T-bill rates. From a high of 7.7% in January of 2005, the 91-day T-bill rate dropped to an average of 5.4% in November, as there were decreasing credit risks, less Government demand for funds and excess market liquidity. Perked-up sentiment in the economy and record levels of dollar remittances from overseas Filipinos were manifested in the strengthening of the peso against the US dollar towards the end of 2005. From a low of P56.30 per dollar on 28 September, the peso steadily appreciated in November, to close at P53.07 against the dollar on 29 December. The country's Gross International Reserves (GIR) reached \$18.5 billion at the close of 2005, the highest level ever recorded.

The Banking System

Total resources of the banking system grew by 7.3% from P4.0 trillion to P4.3 trillion in 2005, slower than the 9.9% growth registered in the previous year. Banks were more active in lending during the year as growth in gross loans accelerated to 6.4% in 2005 from 2.2% the year before. The banks' improving balance sheets resulting from continued disposal of non-performing assets (NPAs) partly contributed to boosting credit growth. Asset quality improved significantly as Non-Performing Loans (NPLs) shrank in 2005 by 25.8% from 10.9% in the previous year. NPAs posted a bigger decline of 16.8% from 4.8% in 2004. For the first time since the Asian financial crisis in 1997, NPLs as a proportion of total loans went down to a single-digit level of 9.0%.

As more resources were used to finance loans, investments of banks particularly in government securities and bonds slowed down. Investments still managed to grow by 2.8% although considerably lower than the growth of 26.1% in 2004.

Deposits, which grew by 7.4% in 2005 albeit slower compared to the 12.1% growth registered in 2004 drove asset expansion. The deceleration in the growth of deposits could be partly attributed to declining interest rates, as average short-term and long-term time deposit rates fell to 5.2% (from 6.3%) and 6.0% (from 8.2%), respectively, while average rate of savings deposits dropped to 3.8% from 4.3%. Across deposit types, the share of savings deposits slipped to 50.1% from 54.1% in 2004 while the share

of time deposits to total deposits increased further to 36.4% from 32.8%. The trend is indicative of depositors' increasing preference to maintain time deposits over savings deposits due to higher interest rates.

Banks' combined capital inched up by 2.4% in 2005, slower than the previous year's growth rate of 5.5%. The slowdown in capital accumulation coupled with loan expansion, slightly eroded banks' capacity to cushion the risks of potential losses, as capital-to-risk assets ratio dropped from 13.5% to 13.0%. The ratio, however, remained above the prudential standard indicating strength of the banking system to manage emerging risks. On the other hand, improvements in asset quality, as shown by decreases in NPAs and NPLs, improved banks' capital position against problematic assets as NPL-to-capital ratio declined to 32.0% from 43.3% while NPA-to-capital ratio similarly improved to 68.6% from 82.8%.

Despite higher provisions for losses, banks remained profitable as net income (after tax) grew by 26.4% in 2005 from 12.3% in 2004. This was further reflected broadly in banks' return on assets (ROA), which posted a ratio of 1.1% from 0.9%, and return on equity (ROE), which registered an improvement to 8.6% from 7.1%. Income from loans and investments likewise increased in 2005. Other operating income, especially fee-based income, trading and foreign exchange gains, bank commission, and income from trust departments, grew by 12.1% compared to 14.1% in 2004.

In spite of a stronger banking system, some banks were stressed while others sought to consolidate their position in the midst of increasing capital requirements and stricter financial reporting standards. One bank voluntarily applied to convert its thrift bank license into a rural bank. Four mergers took place involving the consolidation of 11 banks. This includes the rehabilitation of a closed bank through merger. Two rural banks were consolidated. Nine banks were ordered closed by the Monetary Board during the year consisting of two thrift banks and seven rural banks.

As a critical player in the financial safety net system, PDIC continues to face the challenges of delivering vital services to the depositors and creditors in distressed banks to ensure confidence in the banking system. With an expanded mandate and enhanced organization, the Corporation is better equipped to perform its role in promoting stability in the banking sector for the protection of the depositing public.



Risk Assessment and Management

Assessment Collection

As of 2005, total deposits in Philippine banks stood at P2.96 trillion, up by 7.5% from P2.75 trillion in 2004. The increase in deposits boosted assessment collection

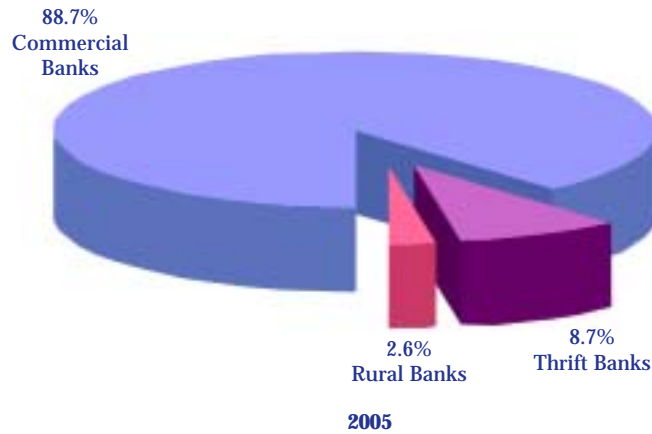
from 879 member banks by 10.6% to P5.83 billion from P5.27 billion during the same period last year. Commercial banks accounted for 88.7% of total

Table 3
Deposit Liabilities and Assessment Collection from Member Banks^{a/}
(Amounts in Billion Pesos)

Bank Type	2005				2004			
	Member Banks	Total Deposits	Insured Deposits	Assessment	Member Banks	Total Deposits	Insured Deposits	Assessment
Commercial Banks	41	2,617.71	631.23	5.17	42	2,460.08	603.63	4.70
Thrift Banks	84	261.35	89.27	0.51	87	223.73	80.40	0.43
Rural Banks	754	81.38	57.25	0.15	762	70.72	51.69	0.14
Total	879	2,960.44	777.75	5.83	891	2,754.53	735.72	5.27

^{a/} Deposit data refer to deposits of banks, excluding deposits in overseas branches. Assessment refers to collections due for the periods ending June and December of reference year.

Chart 3
Assessment Collection from Member Banks



assessment collection, thrift banks for 8.7%, and rural banks for 2.6%.

Out of the P2.96 trillion total deposits in 2005, P777.8 billion representing 28.57 million deposit accounts were insured at the maximum deposit insurance cover (MDIC) of P250,000.

Deposit Insurance Fund

The Deposit Insurance Fund grew by 14.1% from P41.61 billion to P47.47 billion. This represented 52.7% of the target fund of P90 billion, an improvement from 46.2% the previous year.

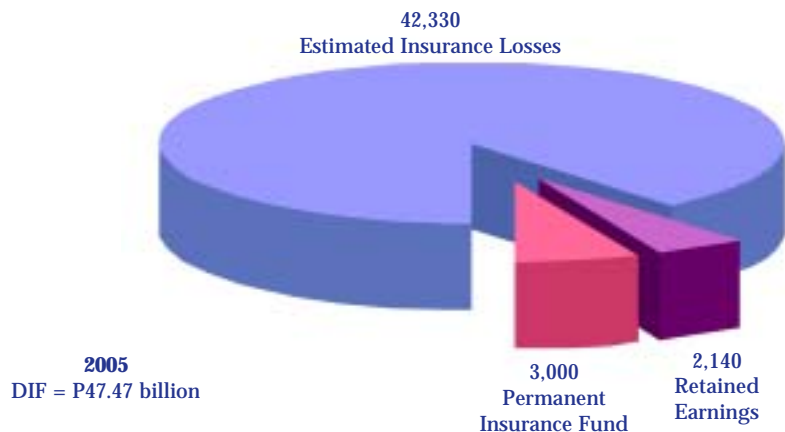
The growth in the DIF came primarily from an increase in assessment collections, following the

expansion in total deposits. Higher income from investments also contributed to the expansion. This allowed PDIC to provide for an increase in Estimated Insurance Losses (Reserves) by P5.7 billion from P36.58 billion to P42.33 billion.

Risk Monitoring

PDIC monitors the financial condition of member banks to minimize the risks on the DIF. For this purpose, the PDIC employs an early warning system, the Off-Site Bank Rating Model (OBRM), to evaluate the general condition of each member bank and identify those that would require closer monitoring. To measure the soundness and viability of each member bank, the OBRM utilizes financial ratios and indicators, examination findings shared by the BSP,

Chart 4
Deposit Insurance Fund
 (in Million Pesos)



and information obtained from credit rating agencies. Banks identified for closer monitoring are subjected to an in-depth quantitative and qualitative desk analysis (offsite examination) and if necessary, are recommended for onsite examination.

In 2005, a task force was constituted to undertake a comprehensive review of the OBRM to further rationalize and enhance the methodology and update the benchmarks applied for evaluating bank performance and condition to more accurately reflect current banking trends and regulations. The results of the enhanced OBRM are expected to provide better assessment of the overall health of the banking industry and allow early identification of problem banks for guidance in the formulation of appropriate regulatory responses, prioritizing banks for offsite-onsite examination and adoption of prompt corrective action. The task force is set to complete its work in 2006.

Financial Assistance

The PDIC Board and the Monetary Board approved the grant of financial assistance to two (2) commercial banks in 2005, namely, Banco de Oro (BDO) and Export and Industry Bank (EIB). The financial assistance to BDO was released in 2005 while that of EIB's was set for 2006.

The seven-year loan to BDO which amounted to P4.42 billion was primarily in consideration for BDO's



Financial condition of banks are monitored to minimize the risks posed to the Deposit Insurance Fund.



assumption of deposit liabilities of United Overseas Bank Philippines (UOBP).

A precondition to the release of financial assistance to BDO was the settlement by

Banco de Oro President Mr. Nestor V. Tan (left), PDIC PCEO Ricardo M. Tan (center) and United Overseas Bank Philippines (UOBP) Acting President and CEO Mr. Wang Lian Khee (right) during the signing of the financial assistance agreement in December 2005.



Photo taken during the signing of the financial assistance agreement between the PDIC and Export and Industry Bank. From left: John Lee and Dionisio E. Carpio of Lippo group; EIB Chairman Sergio R. Ortiz-Luis Jr.; PDIC President and CEO Ricardo M. Tan; EIB Vice Chairman and President Benjamin P. Castillo; Alfredo M. Yao of the Yao Group; and Jaime C. Gonzalez of the American Orient Capital Partners Ltd.

Sale of PNB Shares

The national government and the PDIC undertook the block sale of their stake in the Philippine National Bank (PNB) in August 2005. It was the biggest sale of government assets to the private sector for the year and the biggest privatization initiative since 1997. A total of 186 million shares were sold to the Lucio Tan group (LTG) at P43.77 each or for a total amount of P8.14 billion.

PDIC raised P6.16 billion from the sale with net profit to the Corporation of about P306 million, and to the government, P1.98 billion. The sale reduced to 12.5% the stake of the government and PDIC in PNB while the LTG assumed control of 77%.

The block sale was part of the exit strategy of government from the rehabilitation program of

PNB in support of its privatization program and efforts to improve its fiscal position. It also signaled the turnaround of PNB after the government infused P23.9 billion in assistance through the PDIC and the BSP. The completion of the joint sale was seen by both domestic and international investors as a positive development not only for PNB but also for the Philippine banking system. It was also regarded as an impetus for further consolidation and foreign direct investments in the industry.

Despite difficulties in the market, the joint technical committee, composed of the PDIC and the Department of Finance successfully disposed of the shares way ahead of the September 2005 target.



The sale of government shares in the Philippine National Bank (PNB) was the biggest sale of government assets to the private sector for the year and the biggest privatization initiative since 1997. The bidding was conducted in August 2005.

UOBP of its obligations to PDIC through the repurchase by UOBP of the remaining balance of the P4.9 billion non-performing assets (NPAs) purchased by PDIC in 1999 and the full payment of the outstanding balance of the P1.9 billion liquidity loan it availed from PDIC in 2002.

Meanwhile, the financial assistance to EIB that would assist the Bank in addressing the continuous drag on its operations brought about by non-performing assets (NPAs) which were acquired when EIB merged with Urban Bank Inc. (UBI) and Urbancorp Investment Inc. (UII) in 2001. The financial assistance was intended to protect EIB's 75,130 depositors and promote stability in the banking system.

Under the agreement, PDIC would buy P10 billion of NPAs of the former UBI/UII at a 70% discount or a total consideration of P3 billion. The financial assistance would also include a P9 billion loan to EIB comprising of P7 billion direct loan fully secured by government securities and P2 billion subordinated debt, both payable over a 10-year period. Part of the agreement was for the major stockholders of EIB, namely, the Lippo and Yao groups, AO Capital and Raiffeisen Zentralbank Osterreich AG (RZB) of Austria to infuse tier 1 capital of at least P3 billion to strengthen the bank's capital base and balance sheet; and improve its profitability. The capital infusion would also allow the bank to comply with the new international accounting standards and the Philippine financial reporting requirements now being implemented by the BSP. It would also prepare the bank to comply with the requirements of Basel II to be implemented by BSP in 2007. With the capital infusion and sale of NPAs to PDIC, the Bank's risk based capital adequacy ratio (RBCAR) would be over 20%.

As of yearend, the Corporation had total outstanding financial assistance in the amount of P67.82 billion. Of this amount, P67.44 billion was extended to eight (8) commercial banks, three (3) thrift banks and one (1) rural bank. The balance of P380 million represented the swap between BSP's receivables for various rural banks and PDIC's subrogated claims for the implementation of Module 1 of the Countryside Financial Institution Enhancement Program (CFIEP). The total assistance under this CFIEP module was P711 million which

was availed of by 186 rural banks.

PDIC may grant financial assistance to banks in danger of closing if the Corporation finds that the continued operation of such bank is essential to provide adequate banking service in the community or maintain financial stability in the economy.

The financial assistance that may be provided by PDIC can be in the form of a direct loan, purchase of assets, assumption of liabilities, placement of deposits and equity or quasi-equity of the insured bank. The determination of the appropriate rehabilitation scheme and financial assistance package for a bank is guided by the principle of reasonable burden sharing among stakeholders i.e., shareholders, strategic third party investors, depositors/creditors and government, with the end in view of bringing the bank to safe harbor. Said rehabilitation scheme should uphold good governance and should present the strongest prospects for long term sustainability and viable operations based on the evaluations of strength of investors and quality of the rehabilitation plan.

Prior to the exercise of this authority, PDIC has to make a determination that the costs of actual payout and liquidation of the bank concerned will be more expensive than the grant of financial assistance.

Onsite Examination

Republic Act 9302, the law that amended the PDIC Charter, restored PDIC's authority to examine banks with prior approval of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP). To further strengthen the cooperation and coordination between the two agencies, the BSP and the PDIC entered into a Memorandum of Agreement (MOA) formalizing a framework for the joint or independent conduct of onsite examinations. The MOA likewise provided for the prompt sharing and exchange of relevant reports, significant information and preliminary findings on banks in line with Section 8 of the PDIC Charter, as amended

This year, PDIC started to jointly examine with BSP a group of banks in response to depositors' complaints. The PDIC and BSP also jointly examined a bank in relation to a planned merger.



Receivership and Liquidation

Bank Closures

Nine (9) banks composed of two (2) thrift banks and seven (7) rural banks were ordered closed by the

Monetary Board and taken over by PDIC as statutory receiver in 2005 as follows:

Table 4
Bank Closures for 2005

Name of Bank	Province	Type	MB Resolution No.	Date Ordered closed by MB	Date of PDIC Takeover
Rural Bank of Vinzons, Inc.	Camarines Norte	RB	21	01/06/05	01/07/05
Banco Rural Legaspi, Inc.	Albay	RB	46	01/13/05	01/14/05
Banco Rural Sorsogon, Inc.	Sorsogon	RB	46	01/13/05	01/14/05
Filhomes Savings & Loan Bank	Nueva Ecija	TB	83	01/21/05	01/21/05
Municipal RB del Gallego	Camarines Sur	RB	103	01/27/05	01/28/05
Hermosa Savings & Loan Bank	Bataan	TB	158	02/03/05	02/03/05
Rural Bank of Rizal (Occidental Mindoro)	Mindoro Occidental	RB	256	02/24/05	02/25/05
Rural Bank of Lilio	Laguna	RB	777	06/09/05	06/10/05
Rural Bank of San Nicolas	Batangas	RB	1443	11/10/05	11/10/05

This brought the total number of banks under receivership/liquidation as of yearend 2005 to 440, consisting of 2 commercial banks, 55 thrift banks and 383 rural banks.

Asset Administration and Recovery

At end-2005, the combined Estimated Realizable Value of Assets (ERVA) of the 440 closed banks amounted to P14.80 billion, up from P13.36 billion in 2004. Twenty-nine percent (29%) of the ERVA represented cash and investments in government securities, 42% in loans and other assets, and 29% in Real and Other Properties Acquired (ROPA) and bank premises/furniture, fixtures and equipment. Liabilities, on the other hand, amounted to P36.92 billion, with P22.88 billion or 63% of the total liabilities payable to the government.

Total recoveries from liquidation of banks amounted to P225.34 million of which P171.79 million were from loan collection, P42.74 million from property disposal, and P10.82 million from collections of other receivables and rental income.

Proceeds from loan recoveries and asset disposal in excess of receivership and liquidation operational expenses were pooled in a fund and invested in government securities pending distribution to creditors. Trust funds held by PDIC in behalf of closed banks amounted to P4.049 billion as of yearend. Of this amount, P1.144 billion was invested in dollar time deposit, P76.10 million in special savings deposit, P203.92 million in treasury bills, P871.58 million in fixed-rate treasury notes/bonds and P1.753 billion in global bonds. Accumulated earnings of the fund since

1989 reached P4.29 billion, of which P299.97 million was realized in 2005 alone.

Asset Distribution

A bank's final project of distribution (FPOD) is a distribution plan of its available assets to creditors in accordance with the Rules on Concurrence and Preference of Credits. It is submitted to the liquidation court for approval. The motion for approval of the FPOD includes a prayer for the termination of the liquidation proceedings.

The 120 FPODs of closed banks completed in 2005, a 54% increase from the 78 FPODs completed in 2004, was the highest level recorded since the Corporation assumed receivership and liquidation function in 1992. This brought to 216 the total number of closed banks with FPODs. Among the FPODs completed were those of two banks ordered closed in 2005, namely, Rural Bank of Vinzons, Inc. (Camarines Norte) and Municipal RB of Del Gallego, Inc. (Camarines Sur). The termination of their respective liquidation proceedings was also recommended within 12 months from their respective closure dates.

Total bank assets for distribution as of yearend 2005 amounted to P8.421 billion, of which P8.075 billion had been paid partially/totally to creditors either in cash or through assignment of assets. Total cash paid amounted to P5.184 billion while payment made through assignment of asset amounted to P2.891 billion.

Actual recoveries (cash and non-cash) of the closed banks' major creditors are detailed in Table 5.

Table 5
Asset Distribution (Amounts in Million Pesos)

	For the Year 2005	As of Year-End 2005
Distribution of Assets approved by the liquidation court (cash and non-cash)	P 408.27	P 8,421.36
Breakdown of distribution:		
R/L Expenses	P 31.02	P 251.74
Trust Accounts	0.04	72.31
Liquidating and Surplus Dividends		
Distributed/paid to the following agencies:	143.94	7,751.04
LGU	0.06	2,623.01
PDIC	117.13	841.66
BSP	18.36	621.33
CB_BOL	0.33	3,385.39
Others	8.06	279.65
Still for Distribution	233.27	346.27
Total	P 408.27	P 8,421.36

Assignment of Grandeza Warehouse

The Liquidation Court approved the partial distribution of liquidation proceeds from PAIC Savings and Mortgage Bank and assigned to PDIC the Grandeza property located in Tunasan, Muntinlupa in partial settlement of the subrogated claims of the Corporation in the amount of P65.03 million. The property, consisting of an unfinished two-storey warehouse built on a 2,203 sq. m. lot, has a dacion value of about P9.25 million.

Disposal of Real and Other Properties Acquired (ROPA) and Development of ROPA Monitoring System

The Corporation created the R/L ROPA Disposal Committee on February 24, 2005 to evaluate and approve the disposal of ROPA of banks under liquidation through public bidding or negotiated purchase.

A total of 60 properties were sold, mostly on cash basis, for the aggregate price of P29.62 million from February to December 2005. Of these, 45 were disposed through negotiated sale, while 15 were sold via public bidding. The properties consisted mainly of residential and commercial properties.

The ROPA Monitoring System, a windows-based application with graphic interface, was completed during the year. The user-friendly system has an all-in-one-window feature where all information or data required may be accessed in the same window screen. It has an enhanced and flexible search engine that facilitates the generation of required data. Adequate controls were also installed in the system to protect and ensure the integrity of the data. Unlike its earlier Unix-based

version, the enhanced monitoring system has built-in features that facilitate biddings conducted either at the home office or in the provinces as well as generate reports related to the bidding.

Further Enhancing Receivership and Liquidation Operations

In response to the business process improvement review of receivership and liquidation (R/L) activities, the Corporation enhanced key R/L activities through the (1) standardization of asset and records disposal activities, compromise settlement procedures, and preparation/implementation of projects of distribution; (2) revision of procedures on the release and cancellation of mortgage, and remittance on rediscounted obligations; (3) development of procedures on extrajudicial foreclosures; (4) introduction of centralized collection, disbursements and electronic updating of closed banks' books; (5) resolution of cash accountability issues; and (6) continued disposal of furniture, fixture and equipments and warehousing of records.



The PDIC continues to improve its receivership function through business process enhancements.



PDIC

Maximum Deposit Insurance for Each Depositor

₱250,000



Claims Servicing

Single Digit Turnaround Time

The Corporation sustained its ability to start claims settlement operations (CSO) within the single-digit turn-around-time (TAT), the number of days from date of closure up to the start of insurance claim payouts, in 8 out of 9 banks ordered closed by the Monetary Board in 2005. The average TAT for all nine (9) banks was eight (8) days. This year's average TAT was longer than last year's average of six (6) days as it was skewed by the 19-day TAT for the Municipal Rural Bank (RB) of Del Gallego. This was due to legal issues and resistance by bank owners to the presence of more than one claim agent in the bank.

The nine (9) banks closed in 2005 have estimated insured deposits (EID) of P1.37 billion involving 58,558 accounts. Insured deposits paid amounted to P952.55 million or 69% of total insured amount; and

22,498 accounts, or 38% of the total insured deposit accounts. The depositors of these banks who failed to file their claims have two (2) years from date of bank closure within which to file their claims for insured deposit.

Since the first PDIC payout operations in July 1970, total claims filed for insured deposits amounted to P15.55 billion involving some 1.53 million deposit accounts. Of this amount, P14.96 billion or 92% of the aggregate estimated insured amount and 73% of the estimated insured deposit accounts, have been paid. The balance remained unsettled as of yearend due to documentary deficiencies, the need for further verification of accounts, legal impediments, or inability of depositors to claim despite written notices.

Table 6
Claims Settlement Operations (CSO)
As of December 31, 2005
(Amounts in Million Pesos)

Particulars	Banking Units	Total Deposit Liabilities		Estimated Insured Deposits		Claims Filed*		Insured Deposits Paid	
		Accounts	Amount	Accounts	Amount	Accounts	Amount	Accounts	Amount
Banks started CSO prior to 2005		5,655,421	31,410.02	2,017,720	14,838.26	1,504,154	14,269.83	1,488,817	14,006.71
Banks started CSO in 2005	39	58,560	1,418.53	58,558	1,374.84	24,364	1,277.98	22,498	952.55
Filhomes Savings and Loan Bank	3	3,971	502.95	3,971	502.95	2,745	464.79	1,349	162.44
Hermosa Savings and Loan Bank, Inc.	14	9,383	102.01	9,382	91.25	5,490	87.65	5,452	84.54
Municipal Rural Bank of Del Gallego	1	569	14.66	569	5.55	173	3.38	171	2.88
Banco Rural Legaspi, Inc.	5	6,459	226.87	6,459	212.99	2,822	199.58	2,766	196.72
Rural Bank of Rizal (Mindoro Occ.), Inc.	1	468	2.94	467	2.71	65	1.77	55	0.63
Banco Rural Sorsogon, Inc.	4	7,765	200.91	7,765	194.78	4,479	184.09	4,317	179.14
Rural Bank of Lilio (Laguna), Inc.	5	16,269	127.91	16,269	124.33	3,928	116.55	3,746	107.31
Rural Bank of Vinzons (Camarines Norte), Inc.	1	12,578	234.31	12,578	234.31	4,193	214.30	4,181	213.14
Rural Bank of San Nicolas (Batangas), Inc.	6	1,098	5.97	1,098	5.97	469	5.87	461	5.75
Grand Total		5,713,981	32,828.55	2,076,278	16,213.10	1,528,518	15,547.81	1,511,315	14,959.26

* Does not include:

- claims for 435 accounts in the amount of P49.23 M which accounts are not included in the Masterlist.
- claims in the amount of P47.64 M of which claims are in excess of the insured deposit.

Under the new PDIC Charter, depositors are given two (2) years from date of actual takeover of the closed bank to file their claims for insured deposits against PDIC. Depositors who filed their claims for insured deposits with PDIC within the two-year period and were notified of the approval of their claims have two (2) more years after the two-year prescriptive period to enforce their claims. Beyond the two-year filing period, depositors can no longer file claims against PDIC and instead, may file their claims against the assets of the closed bank.

Claims on Subrogated Deposits

The Corporation filed 21 claims for subrogated deposits amounting to P59.52 million against 21 closed

banks in 2005. This brought the total claims filed by PDIC to P5.56 billion at gross. The amount represented 37% of total subrogated deposits of P14.96 billion involving 398 closed banks as of yearend. Claims for subrogated deposits against 47 closed banks amounting to P9.40 billion are in process.

Meanwhile, recoveries from subrogated claims against 17 closed banks during the year totaled P58.05 million bringing cumulative recoveries to P2 billion as of yearend. This represented a recovery rate of 13.43% against total subrogated deposits of P14.96 billion.



Support Infrastructure

A Nimble Organization

The new PDIC organizational structure took effect on February 1, 2005. Streamlining and functional rationalization efforts reduced authorized plantilla positions from 1,046 to 723 and resulted to a flatter organization. As of yearend, the Corporation had a total actual workforce of 564 employees composed of 135 officers and 429 rank-and-file staff. This was a significant 26% drop from 763 employees in 2004.

The reorganization process as provided for in the amended Charter, was governed by implementing procedures that adhered to Civil Service rules and was conducted in consultation with PDIC employees.

Restatement of the PDIC Mission and Vision

Following the amendment of the Charter in 2004 that enhanced PDIC's mandate to more effectively protect the depositors, Management saw the need to

revisit the decade-old vision and mission (VM) statements.

The relevance of the vision and mission statements to the Charter was assessed. Focus group discussions (FGDs) were conducted among a cross-section of PDIC population with the endgoal of determining perceptions on and assessment of the Corporation's external and internal environment. Interviews were also carried out with key officers regarding the relevance and responsiveness of the VM statements.

A Task Force was created to analyze the results of FGDs and interviews, and to recommend revised VM statements. The members of the PDIC Board and Management reviewed the suggested VM statements during a strategic planning workshop held in July 2005.

The restated Corporate mission focused on the PDIC's reason for existence: the protection of depositors in the Philippine banking system. The various functions performed by PDIC all redound to

Top photo: Members of the PDIC Board and Management revisited the Vision and Mission statements during the strategic planning workshop held at the Malarayat Golf and Country Club in July 2005.



Bottom photo: FRMCS officers unveil before their sector the PDIC's new mission, vision, values and strategic plans for the next five years during the September soft launch.



promoting and protecting the interests of the depositing public.

The Corporate vision was thus made more succinct and determined: to attain global recognition in depositor protection, a vision that would drive PDIC to pursue excellence in public service transcending local standards.

currency management, information technology, legal updates, tax regulations, financial analysis and reporting standards, accounting and audit systems, goldmining on distressed credits/non performing assets, media relations, and human resource management.

Training Programs

Driven to bring out the best in its human resource complement, the Corporation continued to nurture its people's potentials through various training programs. A total of 533 officers and staff benefited from 32 in-house programs while 124 were sent to 89 external programs, for a total of 121 training programs availed of in 2005.

The trainings covered a wide spectrum of subjects that included innovations on corporate management and governance, banking and economy,



The Corporation puts a premium in enhancing its human resources through seminars, trainings, and workshop.

A number of PDIC personnel also attended foreign seminars such as the 5th Southeast Asian Central Banks (SEACEN)-Toronto Leadership Seminar for Senior Management of Central Banks on Financial System Oversight in Singapore, the Asia Pacific Economic Council (APEC) Financial Regulators Training Initiative: Regional Seminar on Risk-Focused Supervision and Risk Assessment in Hong Kong, and the SEACEN Program on Banking Supervision Credit Risk Analysis in Malaysia.

Incentives for Service Excellence

To encourage employees to attain exemplary work standards, the Corporation in 2005 recognized PDIC staff and officers who made outstanding contributions to public service under its Program on Awards and Incentives for Service Excellence (PRAISE). The PDIC Chairman's Awards were conferred upon officers and rank and file who took part in the joint PDIC-DOF technical working committee that spearheaded the sale of government shares in the Philippine National Bank.

The technical working committee was composed of the Legal Affairs Sector and the Risk Assessment

and Resolution Group II.

Public Awareness

In 2005, PDIC accelerated its tri-media campaign aimed at informing and educating the public of the PDIC Charter amendments. The Corporation, benefiting from *pro-bono* print and broadcast media exposures, seized the opportunity to explain the enhanced protection afforded to depositors under the amended PDIC Charter. Members of PDIC senior management guested in television and radio programs to explain PDIC's functions and promote savings mobilization initiatives while major broadsheet newspapers published articles that aimed to increase awareness on depositors' rights and privileges.

In line with its public awareness campaign, the Corporation likewise signed a Memorandum of Understanding (MOU) with the Department of Education (DepED) to integrate the value of saving and PDIC's functions in the secondary curriculum of public high school students. The project is expected to communicate PDIC's savings advocacy to some five million students in 5,000 public schools nationwide. (More on this in *Institutional Relations*).



To encourage PDIC officers and staff to attain exemplary work standards as public servants, the PDIC once again conferred the Chairman's awards to 11 outstanding individuals in December 2005. The recognition was given to the members of the joint PDIC-DOF technical working committee which spearheaded the sale of the shares of the government in the Philippine National Bank (PNB).

PDIC and DepEd officials launched the PDIC Module Development Project in October 2005. Shown in the photo during the signing of the memorandum of understanding between the agencies are (left to right) PDIC Vice President for Communications and Stakeholder Relations Maria Leonida Fres-Felix, PDIC President and CEO Ricardo M. Tan, DepEd Acting Secretary Dr. Fe A. Hidalgo and DepEd Director for Bureau of Secondary Education Lolita A. Andrada.



Depositor Protection and Awareness Week 2005: *Seguro para sa Deposito, Kaagapay sa Matatag na Pagbabangko*

The Philippine Deposit Insurance Corporation (PDIC) spearheaded activities for the third Depositor Protection and Awareness Week (DPAW) on June 16-22, 2005. The yearly celebration of DPAW aims to strengthen the country's banking system through greater depositor confidence to complement the government's thrust of sustaining economic growth.



Banks displayed streamers in support of the Depositor Protection Awareness Week

Top government officials led by President Gloria Macapagal-Arroyo announced their support for the activity in various messages published in the country's major newspapers. President Arroyo in her message said, "the Depositor Protection and Awareness Week marks the government's commitment to strengthen the banking system and safeguard the interest of the depositing public."

Then Finance Secretary Cesar Purisima likewise declared his support, stating that DPAW "underscores the importance of savings mobilization in steering the country's economy towards a sound and robust financial environment." The Governor of Bangko Sentral ng Pilipinas congratulated PDIC for leading the DPAW and said, "our sustained partnership should go a long way in fostering an efficient, stable, and more competitive banking system."

PDIC started the simple commemoration of the 2005 DPAW by preparing various articles for newspaper supplements. It also issued a request through PDIC Bulletin No. 2005-005 for member banks to display streamers outside their main offices and to flash an electronic version of the streamer in their ATM machines.

The streamers carried DPAW's chosen theme for the year: *Seguro para sa Deposito, Kaagapay sa Matatag na Pagbabangko* (Deposit Insurance, Partner in Strong Banking). This theme declared that PDIC, as a major safety net provider, plays a pivotal role in sustaining the Philippine banking system's overall stability.

The Philippines pioneered in designating a depositors' week. The International Association of Deposit Insurers and other countries such as Spain have contacted PDIC to learn more about DPAW.

Resource Center

Taking the critical steps to fulfill its mandate to become a repository of information on deposit insurance and financial stability issues, the Resource Center launched the maiden issue of the PDIC Occasional Papers Series in June 2005. The maiden edition, entitled “Deposit Insurance: Role, Limitations and Challenges” examined the role of deposit insurance in the financial system and discussed the necessary conditions for a deposit insurance system to fulfill its goals.

The Resource Center likewise took the lead in facilitating stronger ties with local bank groups and international counterparts. Laying the groundwork for the PDIC Virtual Library, the Resource Center also developed linkages with the resource centers and libraries of the Bangko Sentral ng Pilipinas, World Bank, Asian Development Bank, United Nations Development Programme, Asian Institute of Management, and Philippine Institute for Development Studies.



PDIC President & CEO Ricardo M. Tan receives the maiden issue of the PDIC Occasional Papers Series from Ms. Maria Leonida Fres-Felix, Vice President for Communications & Stakeholder Relations Group

Depositors Assistance Bureau: One-stop Action Desk

Anchored on the Corporation’s aim to provide effective support to depositors, the Depositors Assistance Bureau (DAB) continued to extend frontline depositor assistance during takeover and claims settlement operations and responded to queries, requests for information on deposit insurance and assistance on deposit related issues.

A total of 741 cases were logged with the DAB in 2005. Cases received through regular mail, e-mail, and phone calls involved unserviced withdrawals, queries on deposit accounts insurance, membership status of banks and claims for insured deposits. The DAB also initiated steps for the production of an instructional video on claims servicing to guide closed bank depositors in filing claims for insured deposits. The video will be played in the premises of closed banks during claims servicing.

The PDIC, through the DAB, continued active participation in the ConsumerNet, an alliance of government agencies that are at the forefront of advancing rights and welfare of financial services consumers. In pursuit of educating the members of the ConsumerNet, PDIC conducted a lecture-briefing on the PDIC Charter amendments and operations during the year.



The Depositors Assistance Bureau Claims Counter is open on weekdays from 8:00 a.m. – 5:00 p.m.

Information Technology

The Information Technology Group effected the continuous upgrading and enhancement of the Corporation's information infrastructure to keep pace with the changing times.

During the year, improvements were made in the Register Generation System/One-Claim System (RGS/OCS) that contributed to the expeditious servicing of deposit claims during bank closures. On the other hand, provisions of IT equipment resulted

to 1:1 ratio of personnel to computer assignment.

A series of orientations were conducted in preparation for the implementation of an Integrated Internal Services System (IISS) towards an efficient management of PDIC's fixed assets, supplies and materials inventory and procurement. Efforts were started to link the IISS with the Corporation's financial system for fast retrieval and generation of reports. Target completion was set for the first semester of 2006.



The implementation of Network Management System project started in the third quarter of 2005, to provide a systematic monitoring of installed network applications. This would ensure strict compliance with policies and guidelines in using IT facilities as well as safeguard corporate network from viruses and other technological obstructions.

Legal Affairs

The revised PDIC Charter authorized the Corporation to investigate banks for anomalous and fraudulent actions detrimental to the depositing public.

In this connection, PDIC issued two (2) Regulatory Issuances: (1) Regulatory Issuance (RI) 2005-02 otherwise known as the *PDIC Rules on Fact Finding Investigation, Frauds, Irregularities and Anomalies Committed in Banks* lays down the rules that govern the conduct of PDIC's fact finding investigation (FFI) on fraud, irregularities and/or anomalies committed in banks based on complaints from depositors or other government agencies and/or final reports of examinations of banks conducted by the BSP and/or PDIC; and (2) RI 2005-03 or the *PDIC Rules on Administrative Offenses, Fines and Procedure in Administrative Cases*, which enumerates acts or omissions defined as administrative offenses and the impossible penalties and provides for the rules of procedure in administrative investigations.

Following the release of these RIs, nine (9) banks involving 932 accounts were investigated for fraud, irregularities and anomalies, which resulted in the filing of five (5) criminal cases with forty-nine (49) respondents were filed before the Department of Justice and four (4) administrative cases with the PDIC-OGC.

To further support the Corporation's investigative authority, the PDIC entered into a memorandum of agreement with the Office of the Government Corporate Counsel (OGCC) on September 20, 2005 on the composition of the Administrative Hearing Committee (AHC). The AHC, created pursuant to RI

PDIC continuously upgrades its IT infrastructure to adapt to the changing needs of employees and clients.



The PDIC and the Office of the Government Corporate Counsel (OGCC) signed a memorandum of agreement (MOA) governing the composition of the Administrative Hearing Committee (AHC) in support of the state deposit insurer's new investigative powers under the amended PDIC Charter.

2005-03, is tasked to hear and recommend appropriate action and sanction/s on administrative cases to the PDIC Board. To ensure the independence of the AHC, its Chairperson will be a lawyer from the OGCC with a rank of at least Assistant Government Corporate Counsel.

The PDIC won 38 favorable court decisions on closed bank cases resulting in estimated recoveries of P266.58 million. Two (2) cases resulted in a compromise involving a total of P14.95 million.

The Corporation served as internal legal counsel of the joint DOF-PDIC technical committee on the block sale of the Philippine National Bank shares of the the government. PDIC also provided legal assistance extended in the form of legal research/studies, drafting and review of contracts and agreements.

Legal support was also critical during the negotiation of the terms and conditions; and drafting and completion of the legal requirements for the financial assistance granted to Banco de Oro, in its acquisition of the assets and deposit liabilities of the United Overseas Bank of the Philippines, and to Export and Industry Bank.

The PDIC Legal Affairs Sector completed a total of 166 opinions/advice, and drafted/concluded nine (9) regulatory issuances and bulletins, and 346

administrative contracts and agreements for banks under financial assistance.

Austerity Measures

In 2005, the PDIC stepped up its support to the government's austerity measures through the adoption of corporate-wide conservation initiatives.

Upon issuance of Malacañang Administrative Order No. 103 in August 2004, the Corporation cut down by half its remaining 2004 budget for professional services including costs for advertising, trainings, subsidies and donations, and cultural and social activities. With the expenses in these services already reduced, PDIC's 2005 budget was further trimmed to P74.931 million, or decreased by 23% from last year's P97.810 million budget for the expense accounts.

In response to Administrative Order 110 issued on October 25, 2004 and Administrative Order 126 dated August 13, 2004 mandating electricity and fuel conservation by 10%, the PDIC pursued electricity and fuel consumption reduction programs.



Institutional Relations

Financial Sector Forum

The PDIC is an active member of the Financial Sector Forum (FSF), a high level interagency group composed of the country's financial regulators/supervisors.¹ Working to effectively harmonize their complementary functions, members of the FSF periodically meet to discuss and resolve common issues and concerns.

In 2005, the FSF, through its subcommittee on supervision methodology and regulatory policy coordination, paved the way for the signing of the PDIC-BSP Memorandum of Agreement (MOA) which established a framework for the conduct of onsite bank examinations. The FSF, through the subcommittee, also drafted a multilateral MOA on information exchange expected to be approved and signed by member agencies in 2006. With consumer financial education as one of its paramount concerns, the

Consumer Protection and Education Committee of the FSF started the development of information materials on consumer rights and responsibilities, responsible banking, and investment guide for consumers.

International Linkages

In 2005, PDIC obtained a blanket authority from Malacañang exempting it from Administrative Order 103, with respect to participation in the International Association of Deposit Insurers (IADI) activities, in recognition of the importance thereof to the continuous improvement of the Corporation's operations.

PDIC thus participated in various international conferences such as the Executive Council Meeting in Basel, Switzerland; the IADI Executive Council Meeting and CECEI (*Comité des établissements de crédits et des entreprises d'investissement*) Meeting in Paris,

¹ Other FSF members are the Bangko Sentral ng Pilipinas, the Securities and Exchange Commission, and the Insurance Commission.



As an active participant of the International Association of Deposit Insurers, the PDIC contributes and learns from knowledge-sharing sessions with its international counterparts.



France; and the IADI Annual Conference and Meeting in Taipei, Taiwan.

PDIC President and CEO Ricardo M. Tan is a member of the IADI Executive Council, the policy-making body of IADI. PDIC is also vice-chair of the Asia Regional Committee (ARC), reputedly among IADI's most active regional committee.

This coming February 2006, the PDIC and the Asian Development Bank (ADB) will co-host the 4th IADI-ARC Annual Meeting and International Seminar. Preparations for this much-anticipated event started in the second semester of 2005. The co-hosting of the 2006 Annual Meeting and International Seminar was decided during the Annual General Membership Meeting in Taiwan in September 2005.

PDIC also participated in conferences and fora such as the International Forum on Deposit Insurance in Dalian, China; Citigroup-INSEAD (*Institut Européen d'Administration des Affaires*) Financial Education Summit; and 3rd International Forum on Financial Consumer Protection and Education in Kuala Lumpur, Malaysia.

Strengthening local tie-ups

To disseminate knowledge on receivership and liquidation proceedings, as well as on the PDIC's new investigation powers to members of the judiciary, prosecutors, and the Corporation's accredited external

counsel, PDIC conducted five (5) roadshows. Four (4) of these were accredited by the Mandatory Continuing Legal Education Committee of the Supreme Court, from August to November 2005. Roadshow locations were strategically chosen in order to reach out to participants from the Bicol, Mindanao, and Central and Northern Luzon regions. A total of 97 external counsels, 9 public prosecutors and 14 members of the judiciary attended the seminars.

The PDIC conducted six (6) Corporate Governance Seminars in collaboration with the Rural Bankers Association of the Philippines.

The Corporation also held dialogues with the RBAP and the Chamber of Thrift Banks to discuss matters relating to the bank groups' concerns as well as information dissemination on the Charter amendments and other PDIC projects.



Senior Vice President for Legal Affairs and General Counsel Romeo M. Mendoza, Jr. discusses PDIC's investigative powers to members of the judiciary and external counsel in one of the roadshows.

BSE-PDIC Module Development Project

To boost the Filipino youth's financial literacy and instill in them savings ethics, the PDIC and the Department of Education signed a Memorandum of Understanding for the Basic Secondary Education (BSE) – PDIC Module Development Project in October 2005. This would be the cornerstone of PDIC's public awareness program as the information would reach about 5 million high school students in 5,000 public schools nationwide, year after year.



Thematic/curriculum writers for the BSE-PDIC module development project brainstorm during the workshop held at the University Hotel in Diliman, Quezon City on October 27-28.



Anchored on the idea that the youth are effective change agents who will mold the Philippine economy's future, the project will integrate in the high school curriculum the value of saving and PDIC's mandate to protect depositors. The BSE-PDIC Module Development Project will produce a Teacher's Guide for use in public secondary schools throughout the country. The draft Teacher's Guide was completed by yearend and integration is targeted to commence in school year 2006-2007.

Study Visits

PDIC welcomed international and local visitors and briefed them on the Corporation's operations, accomplishments and targets. In May 2005 two officers from the Deposit Insurance Board-Bank of Tanzania came for a four-day study tour which included an observation trip to a closed bank in Bataan.

PDIC also played host to more than 200 students from a number of schools such as the De La Salle

University, University of Sto. Tomas, San Beda College, Pamantasan ng Lungsod ng Maynila and Lipa City College who were oriented on PDIC's functions and operations.



Deposit Insurance Board - Bank of Tanzania officers Nemes Melekani and Rashid Mrutu visit a closed bank in Bataan for a hands-on experience of receivership and liquidation of closed banks.



Mission

We, as
Deposit Insurer,
Statutory Receiver and
Co-Regulator of Banks,
safeguard the interests of the depositing public
and thereby contribute to the promotion of
financial stability in the economy.

Core Values

In our commitment to public service,
We value:
INTEGRITY
PROFESSIONALISM
EXCELLENCE
TEAMWORK
RESPECT FOR ALL PEOPLE

Vision

We will be globally recognized as among
the leaders in depositor protection.

Corporate Priorities for 2006

In July 2005, the Corporation formulated a five-year Strategic Plan that would steer PDIC towards its goal of continuously upgrading service delivery to the public and becoming globally recognized as among the leaders in depositor protection. The PDIC Strategic Plan for 2005-2010 provides a medium term framework setting corporate directions, initiatives and objectives. To translate the Strategic Plan into more concrete steps, the Corporation formulated the PDIC Action Plan for 2006. Highlights of the plan are as follows:

As Deposit Insurer

PDIC is further improving its operating systems to be able to promptly serve a larger number of depositors in the event that the situation would call

for it. Besides maintaining the single digit turnaround time (TAT) for start of processing and servicing deposit claims, the Corporation also aims to reduce by 30% the accounts classified as “pending claims” as of yearend 2005. The priority activities are: simplifying processes to facilitate claims settlement, enhancing computerized systems for timely generation of data to shorten processing time, providing training and equipment for field personnel, and providing information for guidance of banks and depositors to support these endeavors.

The DIF shall be administered more effectively to increase from P46.9 billion in 2005 to an amount consistent with the fund target. As options to better investment alternatives and assessment strategies are explored, efforts to increase recoveries from acquired assets will also be intensified. To protect the DIF and



During bank takeover operations, PDIC employees work round-the-clock to ensure that depositors get back their insured deposits within nine calendar days.

achieve the targets set forth, a risk management system shall be established and existing risks such as pending tax issues shall be addressed.

As Statutory Receiver

Enhancement of efficiency in receivership and liquidation of closed banks remains one of the Corporation's main objectives. Towards this end, termination of liquidation proceedings in 100 more banks will be pursued as well as outsourcing of collection of/recoveries from unencumbered loan accounts; assignment to creditors of encumbered assets of selected banks; and adoption of new strategies on loan collection and asset disposal. The basic framework to carry out receivership functions shall be reviewed through the revision of the Master



The Corporation continues to enhance its efficiency as receiver and liquidator of closed banks.

Liquidation Plan and the receivership/liquidation accounting guidelines. Earlier initiatives to seek support from the members of the Judiciary and external counsels will be continued in 2006 through the conduct of seminars on the receivership and liquidation process.

As Co-regulator of Banks

Prompt and effective resolution of problem banks in collaboration with the BSP will continue to be undertaken to minimize risks and losses to the DIF. The methodology for the risk-rating of banks and the policy framework for the grant of financial assistance shall be enhanced. The use of restored authority on bank examination and new power to conduct investigation will be intensified in 2006. The preparation of manuals for the conduct of onsite examination and bank fraud investigation is also in the pipeline for 2006.

As Corporate Organization

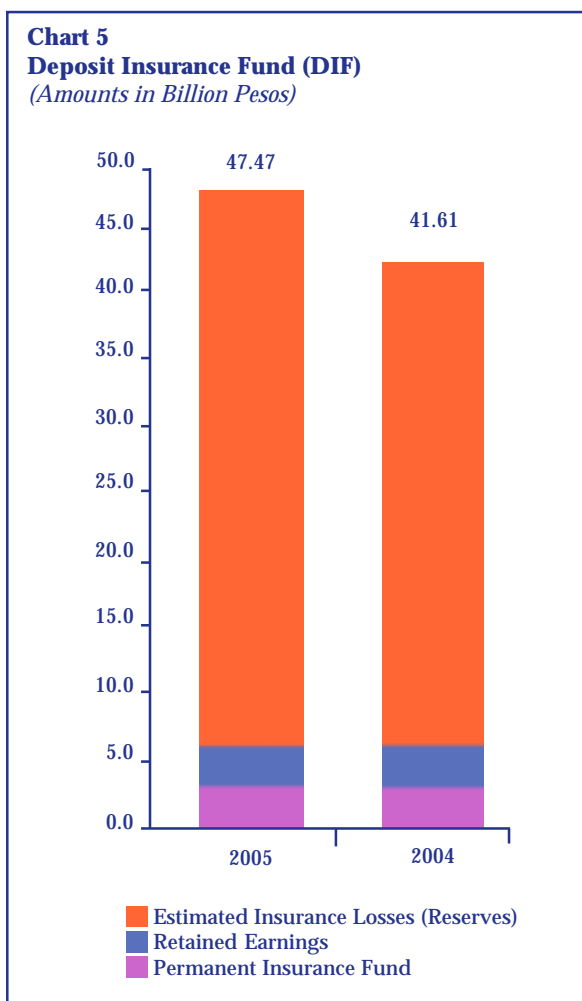
PDIC seeks to align all the efforts of the divisions, sectors, groups and departments to ensure that the corporate mission, vision, objectives and strategies are achieved. The management, legal and support sectors of the Corporation will work towards the enhancement of structures, processes and systems to improve efficiency. This will involve the build-up of manpower, financial and other resources to boost productivity; and the deepening of linkages with external stakeholders to increase PDIC's effectiveness as one of the pillars in the financial safety net system.



PDIC constantly refines its structures, processes and systems to ensure that the corporate mission, vision, objectives and strategies are achieved.

Financial Highlights 2005

The Deposit Insurance Fund (DIF), the capital of the Corporation, stood at P47.47 billion as of yearend 2005. This included government equity of P3 billion; cumulative Estimated Insurance Losses (Reserves) of P42.33 billion; and retained earnings of P2.14 billion. At this level, the DIF was P5.86 billion or 14.1% higher than 2004 level of P41.61 billion. It also represented 52.7% of the P90 billion target fund projected to be achieved by 2011 as adopted by PDIC as of June 2004. The target DIF represents the potential demand and direct threat to capital measured against PDIC's risk exposure on banks deemed on the verge of closure or beyond resolution unless there is an intervention from a third party investor.



Total assets slightly dropped by 0.9% to P126.44 billion from the 2004 level of P 127.62 billion.

Investment portfolio, which was mostly in peso denominated instruments, rose by 18.2% to P46.07 billion in 2005 from P38.99 billion in 2004. Short-term investments totaled P11.45 billion while long-term investments reached P34.62 billion excluding the P2.17 billion remaining investments in PNB preferred stocks after PDIC sold P5.63 billion of its total holdings of P7.81 billion.

The increase in portfolio level was primarily due to additional funds and increased earnings arising from various investment strategies adopted such as: (a) optimum utilization of fresh funds; (b) shift to longer-term securities in order to minimize the effect of the declining interest rates; and (c) adoption of an ideal investment mix both in peso and dollar portfolios. These investment parameters took into consideration the need to safeguard the liquidity position of the Corporation at all times.

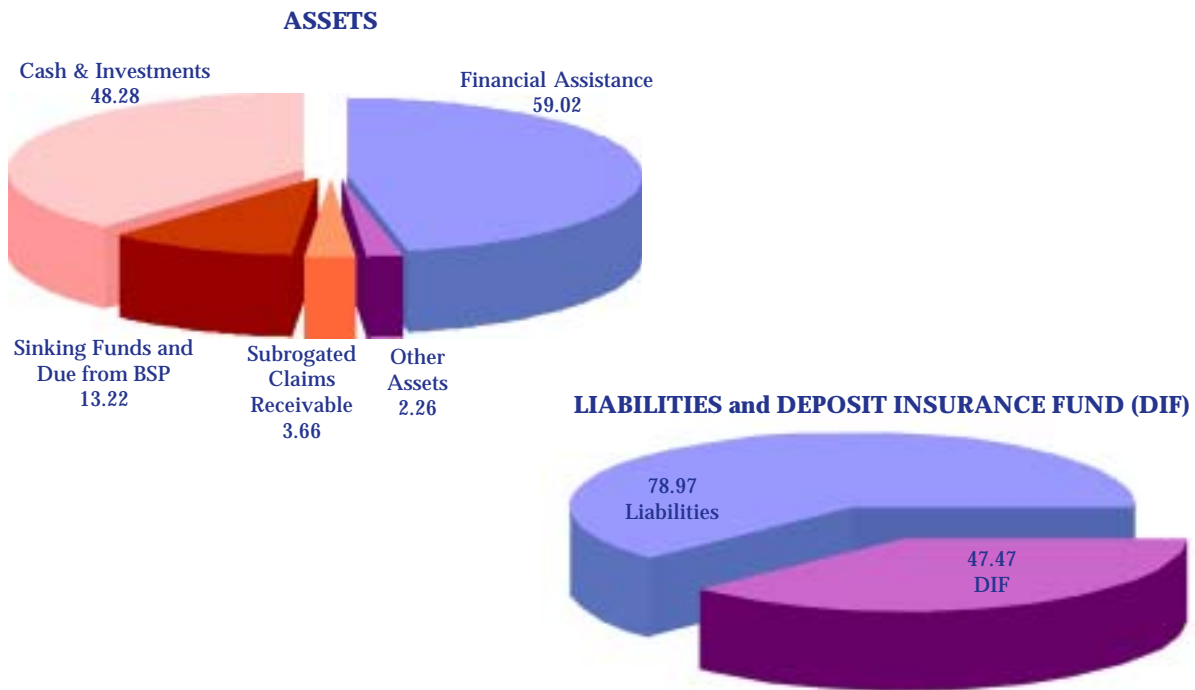
The shifting of short-term investment to medium- to long-term Treasury Notes and Bonds resulted in a short to long-term investment ratio of 25:75 compared to 32:68 in 2004.

The ratio of investments to DIF increased by 3.4% from 93.7% in 2004 to 97.1% in 2005.

Financial assistance fell by P6.16 billion or 9.5% to P59.02 billion in 2005. This resulted from the buyback by an assisted bank of P4.90 billion assets previously purchased by PDIC, coupled with the settlement of its P1.47 billion outstanding liquidity loan. These were prerequisites to the grant of a direct loan to another commercial bank in the amount of P4.42 billion, in consideration of its acquisition of the other bank's selected assets and branches and assumption of deposit liabilities. PDIC likewise sold its PNB preferred share holdings in the amount of P5.63 billion. Collections and recoveries from acquired assets for the year amounted to P0.85 billion. Moreover, additional allowance on probable losses on assets acquired through the grant of financial assistance in the amount of P3.31 billion was set-up this year.

The Subrogated Claims Receivable (SCR) shrank by P2.09 billion to P3.66 billion as of end 2005 as a net result of the recognition of additional allowance for

Chart 6
Assets, Liabilities and Deposit Insurance Fund
As of December 31, 2005
(Amounts in Billion Pesos)



probable losses of P3.03 billion, additional payments on insured deposits of P990.88 million mainly due to nine closures during the year; and collections from closed banks of P60.38 million. The SCRs of almost P13 billion (gross) are now provided with valuation reserves to the extent of 69% taking into consideration the estimated realizable value of the assets (ERVA) of each closed bank.

Partial settlement of borrowings with the Bangko Sentral ng Pilipinas (BSP) amounted to P7.63 billion. Accordingly, liabilities of the Corporation fell by 8.2% from P86.0 billion in 2004 to P78.97 billion this year.

Gross income from operations totaled P6.38 billion. Bulk of it amounting to P4.13 billion, net of P1

billion taxes, came from income from investments. The remainder of P2.25 billion was from income from financial assistance of P1.74 billion and other income of P513.44 million.

Additions to reserves during the year amounted to P3.60 billion while P4.65 billion was set-up as additional provisions. Together with P545.77 million operating expenses, total expenses chargeable to assessments of P5.58 billion exceeded assessments by P3.22 billion. This, added to the interest on borrowings, which amounted to P2.91 billion were charged against income from operations resulting in a net income after tax of P211.86 million. Of this amount, 50% or P105.93 million would be declared as dividend to the National Government.

2005 Financial Statements

COMPARATIVE STATEMENTS OF CONDITION

As of December 31, 2005

(In Thousand Pesos)

ACCOUNTS	2005	2004 (As Restated)	Increase/Decrease Amount %	
ASSETS				
Current Assets				
Cash on Hand and in Banks (Note 2)	P 29,209	P 69,456	P (40,247)	-57.95%
Short-Term Investments (Note 3)	11,452,078	12,311,853	(859,775)	-6.98%
Other Current Assets (Note 4)	1,430,497	1,835,473	(404,976)	-22.06%
Total Current Assets	P 12,911,784	P 14,216,782	P (1,304,998)	-9.18%
Long-Term Investments (Note 5)	P 36,797,459	P 34,485,452	P 2,312,007	6.70%
Financial Assistance - Net (Note 6)	59,018,222	65,176,301	(6,158,079)	-9.45%
Subrogated Claims Receivable - Net (Note 7)	3,658,296	5,753,751	(2,095,455)	-36.42%
Fixed Assets - Net (Note 8)	152,700	178,013	(25,313)	-14.22%
Other Assets - Net (Note 9)	13,897,783	7,810,553	6,087,230	77.94%
TOTAL ASSETS	P 126,436,244	P 127,620,852	P (1,184,608)	-0.93%
LIABILITIES AND DEPOSIT INSURANCE FUND				
LIABILITIES				
Current Liabilities (Note 10)	P 4,974,014	P 4,312,604	P 661,410	15.34%
Long-Term Liabilities (Note 11)	73,092,557	80,724,297	(7,631,740)	-9.45%
Other Liabilities (Note 12)	899,547	971,134	(71,587)	-7.37%
Total Liabilities	P 78,966,118	P 86,008,035	P (7,041,917)	-8.19%
DEPOSIT INSURANCE FUND				
Permanent Insurance Fund (Note 13)	P 3,000,000	P 3,000,000	-	0.00%
Estimated Insurance Losses	42,329,586	36,578,209	P 5,751,377	15.72%
Retained Earnings (Note 14)	2,140,539	2,034,608	105,931	5.21%
Total Deposit Insurance Fund	P 47,470,126	P 41,612,817	P 5,857,309	14.08%
TOTAL LIABILITIES AND DEPOSIT INSURANCE FUND	P 126,436,244	P 127,620,852	P (1,184,608)	-0.93%

2005 Financial Statements

COMPARATIVE SCHEDULES OF ASSESSMENTS

For the year ended December 31, 2005

(In Thousand Pesos)

ACCOUNTS	2005	2004 (As Restated)	Increase/Decrease Amount	%
ASSESSMENTS (Note 15)	P 5,576,647	P 5,024,226	P 552,421	11.00%
LESS: EXPENSES AND PROVISIONS				
Operating Expenses	545,774	783,718	(237,944)	-30.36%
Additions to Reserves (Provision for Insurance Losses)	3,600,000	3,015,531	584,469	19.38%
Insurance and Financial Assistance Losses				
Provision for Uncollectible Accounts - Subrogated				
Claims Receivable	3,025,957	1,666,580	1,359,377	81.57%
Provision for Probable Losses - Acquired Assets	1,581,400	2,806,400	(1,225,000)	-43.65%
Provision for Uncollectible Accounts - Accounts				
Receivable Receivership/Liquidation	44,445	83,022	(38,577)	-46.47%
Total Expenses and Provisions	8,797,576	8,355,251	442,325	5.29%
EXPENSES IN EXCESS OF ASSESSMENTS	P (3,220,929)	P (3,331,025)	P (110,096)	-3.31%

COMPARATIVE STATEMENTS OF INCOME AND EXPENSES

For the year ended December 31, 2005

(In Thousand Pesos)

ACCOUNTS	2005	2004 (As Restated)	Increase/Decrease Amount	%
Gross Income from Investments	P 5,131,733	P 4,325,316	P 806,417	18.64%
Less: Tax	1,000,497	858,774	141,723	16.50%
INCOME FROM INVESTMENTS	4,131,236	3,466,542	664,694	19.17%
INCOME FROM FINANCIAL ASSISTANCE	1,737,357	1,617,546	119,811	7.41%
OTHER INCOME				
Gain on Sale of Preferred Stocks	530,883	-	530,883	0.00%
Service Income	164	2,033	(1,869)	-91.93%
Dividend Income - Surplus	83,485	499	82,986	16630.46%
Interest on Late Payment of Assessment	140	82	58	70.73%
Gain/(Loss) on Foreign Currency Revaluation	(102,678)	23,824	(126,502)	-530.99%
Miscellaneous Income	1,451	6,622	(5,171)	-78.09%
TOTAL OTHER INCOME	513,445	33,060	480,385	1453.07%
INCOME FROM OPERATIONS	6,382,038	5,117,148	1,264,890	24.72%
LESS: OTHER EXPENSES				
Interest on Borrowings	2,912,793	1,659,971	1,252,822	75.47%
Expenses in Excess of Assessments	3,220,929	3,331,025	(110,096)	-3.31%
TOTAL OTHER EXPENSES	6,133,722	4,990,996	1,142,726	22.90%
INCOME BEFORE INCOME TAX	248,316	126,152	122,164	96.84%
LESS: INCOME TAX	36,452	32,499	3,953	12.16%
NET INCOME AFTER TAX	P 211,864	P 93,653	P 118,211	126.22%

2005 Financial Statements

COMPARATIVE STATEMENTS OF CASH FLOWS

As of December 31, 2005

(In Thousand Pesos)

ACCOUNTS	2005	2004 (As Restated)	Increase/Decrease Amount	%
CASH FLOWS FROM OPERATING ACTIVITIES				
Assessment collections	P 5,578,546	P 5,023,272	P 555,274	11.05%
Income from investments	3,903,854	3,515,497	388,357	11.05%
Income/recoveries from financial assistance	1,276,486	1,879,240	(602,754)	-32.07%
Gain on sale/exchange of investments/preferred stocks	530,883	44,683	486,200	1088.11%
Collections from Subrogated Claims	64,324	66,591	(2,267)	-3.40%
Collections from banks under receivership and liquidation (R/L)	47,651	22,605	25,046	110.80%
Collection of various receivables	3,892	3,065	827	26.98%
Dividend, service and miscellaneous income	79,809	11,196	68,613	612.83%
Cash provided by operating activities	11,485,445	10,566,149	919,296	8.70%
Payment of interest on BSP borrowings	(1,686,872)	(1,561,772)	(125,100)	8.01%
Payment of insured deposits	(1,229,781)	(380,133)	(849,648)	223.51%
Payment of various payables	(1,562,187)	(30,193)	(1,531,994)	5074.00%
Maintenance and other operating expenses	(589,628)	(552,301)	(37,327)	6.76%
Expenses incurred for R/L of closed banks	(7,118)	(89,773)	82,655	-92.07%
Cash used in operating activities	(5,075,586)	(2,614,172)	(2,461,414)	94.16%
Net cash provided by operating activities	6,409,859	7,951,977	(1,542,118)	-19.39%
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from matured investments	38,841,045	22,779,955	16,061,090	70.51%
Proceeds from sale of preferred stocks	5,632,708	-	5,632,708	0.00%
Collections of financial assistance	7,252,645	16,032,456	(8,779,811)	-54.76%
Cash provided by investing activities	51,726,398	38,812,411	12,913,987	33.27%
Placements in various investments	(45,686,906)	(29,045,799)	(16,641,107)	57.29%
Financial assistance granted to member banks	(4,420,000)	(14,640,000)	10,220,000	-69.81%
Deposit in escrow accounts/other companies	(339,768)	(338,960)	(808)	0.24%
Capital expenditures	(4,869)	(2,374)	(2,495)	105.10%
Cash used in investing activities	(50,451,543)	(44,027,133)	(6,424,410)	14.59%
Net cash provided by investing activities	1,274,855	5,214,722	6,489,577	-124.45%
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowings from BSP	-	7,640,000	(7,640,000)	-100.00%
Cash provided by financing activities	-	7,640,000	(7,640,000)	-100.00%
Payment of loans to BSP	(7,624,622)	(10,317,314)	2,692,692	-26.10%
Payment of dividends to National Government	(101,093)	(70,000)	(31,093)	44.42%
Cash used in financing activities	(7,725,715)	(10,387,314)	2,661,599	-25.62%
Net cash used in financing activities	(7,275,715)	(2,747,314)	(4,978,401)	181.21%
Effect of Foreign Currency Revaluation	755	1,276	(521)	-40.83%
NET DECREASE IN CASH ON HAND AND IN BANKS	(40,246)	(8,783)	(31,463)	358.23%
CASH ON HAND AND IN BANKS, BEGINNING OF YEAR	69,456	78,239	(8,783)	-11.23%
CASH ON HAND AND IN BANKS, END OF YEAR	P 29,210	P 69,456	(P 40,246)	-57.94%

Notes to 2005 Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Charter amendment

The 2005 financial statements are presented to conform with the amendments of the Corporation's Charter effective August 12, 2004.

Pursuant to R.A. 3591, as amended by R.A. 9302, assessment collections are booked to Assessment Fund as a component of the Deposit Insurance Fund (DIF), the Corporation's capital account. Expenses and charges enumerated in Section 6 (d) of the Charter are charged against assessment collections, and the expenses and charges in excess of assessments, are charged against income from operations. Such expenses and charges are:

- i. Operating costs and expenses of the Corporation for the calendar year;
- ii. Additions to reserve to provide for insurance and financial assistance losses during the calendar year; and
- iii. Net insurance and financial losses sustained in the calendar year.

1.2 Bases for recording

These financial statements are presented in accordance with the generally accepted accounting principles (GAAP). Assets and liabilities of closed banks, however, where the Corporation acts as receiver or liquidator, are not included in these financial statements.

1.3 Investments

Unutilized funds are invested in Treasury bills, notes and bonds (both peso and dollar) and are recorded at cost. Discount or premium is amortized over the term of these instruments. 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.

1.4 Inventories

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

1.5 Financial Assistance to banks

As provided for in its amended charter, PDIC may grant financial assistance to a distressed member bank for its rehabilitation to prevent closure, provided such assistance is the least costly alternative. In applying the optimal cost resolution principle, the alternative chosen must not cost more than the estimated cost of payout and liquidation of a bank in danger of closing. This financial assistance may be in the form of a direct loan, purchase of assets, assumption of liabilities or placement of deposits or preferred or quasi-equity in the bank.

1.6 Allowance for probable losses on acquired assets

The allowance represents the accumulated provisions for probable losses on the bank assets acquired through the grant of financial assistance booked annually based on a programmed schedule.

1.7 Allowance for losses on subrogated claims receivable/ accounts receivable-receivership and liquidation

Subrogated Claims Receivable (SCR) account represents payments made by the PDIC on deposit insurance claims (see Note 7) and is being provided allowance for probable losses for non-recovery of such exposure upon liquidation of closed banks. Since 2003, the allowance has been computed on a per closed bank basis taking into consideration the closed bank's Estimated Realizable Value of Assets (ERVA).

Accounts Receivable – Receivership and Liquidation account consists of expenses advanced by the Corporation for its receivership and liquidation functions charged against closed banks. Allowance for probable losses is being provided at 70% of total outstanding receivable based on recovery experience.

1.8 Fixed assets

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

Building	30 years
Vehicles	7 years
IT Equipment and Books	5 years
Furniture, Fixtures and Equipment	10 years

Notes to 2005 Financial Statements

1.9. *Dollar denominated assets*

Dollar denominated assets are initially carried at the value as at transaction date and revalued at the applicable exchange rate at the end of each month.

1.10. *Insurance reserves*

This is the estimated loss for banks likely to fail in the future unless intervention from third party is made. The insurance reserve is recorded in the books as Estimated Insurance Losses. Starting yearend 2003, a study recommended setting a target level of the DIF at P90 billion based on direct threat and potential demand on the Corporation's capital, otherwise known as Target Fund approach. The amount reflects the best estimate as to adequacy of reserves against risks in the banking system as of a given date and is to be reviewed every two years.

1.11. *Assessments*

Member banks are assessed at a rate of one-fifth (1/5) of one percent (1%) per annum of the assessment base, which is the amount of liability of the bank for deposits as defined under subsection *f* of Section 4 of the Charter. This shall in no case be less than five thousand pesos (P5,000) 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 the end of September and December for the second semester. Such assessments are payable by banks not later than July 31 of the current year and January 31 of the ensuing year for the first and second semesters, respectively.

Failure or refusal by any member bank to pay any assessment due allows the Corporation to file a collection case against the bank and impose administrative sanctions against its officers responsible for non-payment. Late payment of assessment is likewise subject to interest and penalty.

1.12. *Employee benefit plan*

In accordance with Section 8 (11) of the Charter, the Corporation has a Provident Fund divided into general fund and housing fund, consisting of contributions made both by the Corporation

and by its officers and employees. Corporate contribution is vested to the employee after completing a year of service in the Corporation.

NOTE 2. CASH ON HAND AND IN BANKS

This account includes the following:

	2005	2004
Cash on hand a/	352	42,163
Cash in bank – principal accounts b/	11,133	7,254
Cash in bank – settlement of claims c/	9,919	9,893
Cash in bank – transferee banks d/	6,331	10,058
Due from BSP	983	59
Petty cash fund	491	29
Total	29,209	69,456

- a/ The balance includes checks and other cash items received at the close of office hours on the last business day of the year.
- b/ The account refers to payroll, corporate operating funds, Claims, Receivership and Liquidation (CRL) revolving fund maintained in a government controlled bank and collections maintained in a commercial bank.
- c/ This represents funds for payment of insured deposits whereby payment is undertaken by PDIC disbursing officers themselves who are deployed to the closed bank to service depositors.
- d/ This account refers to the funds for the payment of insured deposits of closed banks. PDIC enters into an agreement with Land Bank of the Philippines (LBP) branches within the vicinity of the closed banks, transfers funds to the said LBP branches for the latter to undertake the actual payoff.

NOTE 3. SHORT-TERM INVESTMENTS

This account includes the following:

	2005	2004
Treasury bills a/	8,867,774	7,662,818
Special savings deposit a/	2,212,124	3,465,446
Dollar time deposit	372,180	1,183,589
Total	11,452,078	12,311,853

- a/ Investment balances from the Special Fund – expanded commercial bank account in 2004 were reclassified to these accounts for comparative presentation.

NOTE 4. OTHER CURRENT ASSETS

This account includes the following:

	2005	2004
Accrued interest receivable on investments a/	1,020,807	1,496,758
Accrued interest receivable on financial assistance b/	389,039	214,190
Prepaid expenses c/	14,616	93,252
Inventory of supplies and materials d/	2,441	15,692
Accounts receivable	1,937	14,235
Cash advances e/	992	343
Due from officers and employees	665	1,003
Total	1,430,497	1,835,473

- a) Refer to Notes 3 and 5.
 b) Refer to Note 6
 c) Includes various prepaid expenses i.e., taxes on investments, IT maintenance service, insurance and others.
 d) Includes semi-expendable supplies and materials booked under Inventory account in compliance with COA regulations (Note 1.4).
 e) These are cash advances of officers and staff for approved travel assignments.

NOTE 5. LONG-TERM INVESTMENTS

PDIC's long-term investments account is composed of peso- and dollar- denominated treasury notes and bonds as follows:

	2005	2004
Government securities-treasury notes/bonds (peso) a/	32,559,258	25,520,918
Government securities-treasury bond (dollar)	1,290,441	487,536
Preferred stocks b/	2,174,310	7,807,018
Pag-ibig housing bonds	569,980	569,980
Home Guarantee Corp. (HGC) debenture bonds	203,470	100,000
Total	36,797,459	34,485,452

- a/ Investment balances from the Special Fund – expanded commercial bank account in 2004 were reclassified to this account for comparative presentation.
 b/ This refers to the preferred shares issued by an

expanded commercial bank to PDIC by way of debt-to-equity conversion relative to its rehabilitation program.

NOTE 6. FINANCIAL ASSISTANCE TO BANKS - NET

As of yearend 2005, financial assistance extended by PDIC amounted to P67.82 billion, of which P67.44 billion was extended to eight (8) commercial banks, three (3) thrift banks, one (1) rural bank, and the balance of P0.38 billion represents swap between BSP's receivable from various rural banks and PDIC's subrogated claims for the implementation of the Countryside Financial Institution Enhancement Program (CFIEP). All financial assistance extended to banks are approved by the PDIC Board and Monetary Board.

Assets acquired by PDIC arising from financial assistance amounting to P35.98 billion are provided an allowance for probable losses in the amount of P8.80 billion (Note 1.6).

	2005	2004
Interest bearing notes	29,954,612	25,574,611
Assets acquired	35,978,993	41,731,863
Liquidity assistance	1,507,500	3,361,727
Non-interest bearing notes	380,417	-
Sub-Total	67,821,522	70,668,201
Allowance for probable losses on assets acquired	(8,803,300)	(5,491,900)
Total	59,018,222	65,176,301

NOTE 7. SUBROGATED CLAIMS RECEIVABLE - NET

This is the balance of amount paid by PDIC to insured depositors of closed banks recoverable from the remaining assets of these banks upon liquidation. In the year 2005, additions to this account amounted to P990.88 million mainly pertaining to nine (9) banks which were closed, with total deposit liabilities of P38,828 million consisting of 5,713,981 accounts. 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 CFIEP administered jointly by PDIC, Land Bank of the Philippines (LBP) and BSP. Non-interest bearing notes of various rural banks thru LBP is due at the end of seven years from the date of asset swap and collection thereon will be used to redeem the subrogated claims assigned to BSP.

Notes to 2005 Financial Statements

This account is composed of the following:

	2005	2004
Subrogated claims receivable	12,959,400	12,028,898
Subrogated claims receivable- Assigned	(386,404)	(386,404)
Allowance for incollectible accounts	(8,914,700)	(5,888,743)
Total	3,658,296	5,753,751

NOTE 8. FIXED ASSETS - NET

This account includes the following:

	2005	2004
Land a/ Building	26,206 145,317	26,206 145,317
Furniture, Fixtures, Equipment and Books	165,059	171,995
Transportation Equipment	5,576	5,576
Leasehold Rights and Improvements b/ Total	 2,723 344,881	 6,354 355,448
Less: Accumulated Depreciation c/ Net Book Value	 (192,181) 152,700	 (177,435) 178,013

- This account includes property located in Pasong Tamo, now Chino Roces Avenue, Makati City. Title already transferred to PDIC as of date.
- The account includes expenses incurred for the refurbishing of the PDIC extension office in Ayala Avenue, Makati City and is being amortized for a period of three years.
- Depreciation expenses for 2005 and 2004 amounted to P16.14 million and P14.63 million, respectively.

NOTE 9. OTHER ASSETS - NET

This account includes the following:

	2005	2004
Sinking Funds /a	8,147,715	2,581,766
Due from BSP /a	5,068,213	4,165,766
Accounts receivable closed banks- receivership and liquidation expenses /b	697,706	661,128

Deferred charges /c	218,817	230,377
Accounts receivable - financial assistance to various banks which were subsequently closed	162,828	158,234
Land /d	67,305	67,305
Provident fund /e	44,262	38,957
Advances to National Government /f	37,501	70,000
Building /d	2,442	2,443
Others /g	5,147	5,147
Other Banks - assessment deficiencies /h	13	10
Due from LBP - escrow deposit	-	339,131
	14,451,949	8,320,274
Allowance for probable losses	(554,166)	(509,721)
Total	13,897,783	7,810,553

- Funds accumulated by PDIC and/or managed by BSP for the payment of PDIC loans.
- Expenses advanced by the Corporation necessary in carrying out its mandate as receiver and liquidator of closed banks.
- Deferred interest expense as a result of financial assistance to two banks, which would be recovered from interest income on government securities, purchased under approved rehabilitation plans.
- Property located in Pasay City acquired by the Corporation in 1999 in settlement of subrogated deposits.
- Corporate advances to the provident housing fund and car fund amounting to P5 million and P39.26 million, respectively, in 2005; and P7.50 million and P31.46 million, respectively, in 2004.
- Advance taxes to the National Government/BIR to be applied against future taxes due.
- Miscellaneous assets, i.e., subscriber's investments and deposits with utility companies such as MWSS, MERALCO and PLDT.
- Uncollected assessment deficiencies of banks subsequently closed.

NOTE 10. CURRENT LIABILITIES

This account includes the following:

	2005	2004
Accrued interest payable to BSP a/	4,708,335	3,476,738
Accounts payable-various b/	154,919	677,845
Dividends payable	105,932	101,093
Others c/	4,828	56,928
Total	4,974,014	4,312,604

- a) Refer to Notes 6 and 11.
- b) Refers to the amount due to various suppliers/creditors and unclaimed checks.
- c) Composed of : 1) Due to Officers and Employees for unpaid salaries and benefits such as loyalty pay, overtime, performance incentive, rice benefit and tax refunds, and 2) Provision for retirement.

NOTE 11. LONG-TERM LIABILITIES

This account represents outstanding principal loans payable to BSP, which were used to fund the financial assistance to various banks and payout of insurance claims in the 1980s, consisting of the following:

	2005	2004
To finance assistance granted to various banks	72,281,357	79,811,697
To service insurance claims and provide financial support to banks in the 1980s	811,200	912,600
Total	73,092,557	80,724,297

Interest incurred on the BSP loans totaling P2.90 billion during the year were charged to the account, "Interest on Borrowings."

NOTE 12 - OTHER LIABILITIES

This account includes the following:

	2005	2004
Deferred credits-loans a/	795,753	535,481
Deferred service income b/	102,390	88,285
Deferred assessment c/	1,396	178
Deferred credits-inventories d/	8	14,166
Unearned income	-	333,024
Total	899,547	971,134

- a/ Temporary lodging account for income on sinking funds managed by BSP for the payment of PDIC loans that funded the financial assistance extended to two banks (Refer to Notes 6 and 11).
- b/ Twenty percent (20%) administrative fee charged to closed banks based on salary and other benefits of PDIC officials directly involved in receivership and liquidation of closed banks.
- c/ Refers to overpayment by banks which are creditable to subsequent assessment period.
- d/ Refers to the contra-account of Inventory Supplies and Materials - Semi-expendable booked as such in compliance with COA regulations (See Note 1.4).

NOTE 13. 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 of the P977.80 million obligation of PDIC to the then Central Bank of the Philippines.)

NOTE 14. RETAINED EARNINGS

In consonance with Philippine Accounting Standards (PAS) 8, the beginning balance of Retained Earnings account is restated in 2004, representing interests not accrued from CYs 2001-2003 on BSP borrowings amounting to P175.60.

NOTE 15. ASSESSMENTS

This represents assessments collected from member banks (Note 1.11). Assessments collected during the past two years are as follows:

	2005	2004
Commercial banks	4,964,209	4,488,924
Thrift banks	465,902	407,516
Rural banks	146,536	127,786
Total	5,576,647	5,024,226

NOTE 16. VALUE ADDED TAX ON ASSESSMENTS

BIR has assessed the Corporation for alleged tax liabilities representing unpaid value added taxes (VAT) amounting to P2.52 billion, excluding interests and penalties, covering the years from 1996 to 2002. PDIC contested the assessments and argued that it is not subject to VAT based on the following arguments: (1) PDIC is not engaged in the sale of goods or services but is a regulatory agency exercising the following sovereign functions: (i) implements a deposit insurance system for the protection of deposits in banks against risks brought about by bank failures; and (ii) serves as the government's instrument in providing stability in the banking system; (2) the services provided by PDIC are not among those classified as non-life insurance; and (3) the assessment fees PDIC levies from member banks are mandatory government exactions that must be paid under pain of administrative and/or other sanctions. The issue on the "VATability" of assessment fees was eventually referred to the Department of Justice (DOJ) for adjudication on September 23, 2004 under Presidential Decree No. 242, as adopted in Chapter 14, Book IV, of the Administrative Code of 1987.

Notes to 2005 Financial Statements

In the meantime, and while the issue is pending with the DOJ, BIR issued a preliminary assessment notice against PDIC for the alleged deficiency VAT for taxable years 2003-2004 in the basic amount of P1.21 billion. In its January 31, 2006 letter, BIR, through its Regional Director Nelson M. Aspe, denied PDIC's letter of protest on the preliminary assessments.

Notwithstanding the foregoing, PDIC has been in constant dialogue with BIR for a possible settlement of the alleged VAT liabilities. On February 28, 2006, BIR, through Commissioner Jose Mario C. Buñag, acted favorably on PDIC's February 14, 2006 proposal, subject to approval by the PDIC Board of Directors. In its meeting on March 20, 2006, the PDIC Board, through Resolution No. 2006-03-35, authorized PDIC to enter into an agreement with BIR to settle the alleged VAT liabilities of PDIC. PDIC's proposal was duly communicated to COA in a meeting on March 9, 2006 and under PDIC letter dated March 21, 2006. A Memorandum of Agreement (MOA) between BIR and PDIC dated March 30, 2006 was entered into, which included among others, the payment of P1.50 billion for alleged VAT liabilities for taxable years 1996 to 2004 upon execution of the agreement and payment under protest of P200 million for the year 2005 and the succeeding years. The MOA is without prejudice to the outcome of the case filed with DOJ, such that in the event of a final decision adverse to BIR, the latter shall refund to PDIC all the payments made under protest covering the period 2005 and thereafter. If on the contrary, PDIC shall pay the BIR the balance of basic VAT only for the assessments. On March 30, 2006, PDIC remitted the amount of P1.50 billion in accordance with the MOA.

NOTE 17. OFF-BOOKS DISCLOSURES

17.1. Banks under receivership and liquidation

There is a total of 440 closed banks as of December 31, 2005 under PDIC receivership and liquidation. The

total estimated realizable value of assets and liabilities of the banks amounted to P14.80 billion and P36.92 billion, respectively (Note 1.2).

The outstanding Accounts Receivable - Receivership and Liquidation as of December 31, 2005 amounted to P697,706 (Notes 1.7 and 9).

17.2. Unpaid claims for insured deposits

As of end of 2005, total claims for insured deposits filed totaled P15,747.81 million representing 1,528,518 accounts. Claims totaling P588.55 million, corresponding to 17,203 accounts are still unpaid due to various reasons such as: a) defective supporting documents; b) with questions as to the validity of claims; c) claimants' whereabouts unknown, etc.

17.3. Contested assessment billings

In compliance with Regulatory Issuance No. 92-1 regarding rules and regulations governing the posting of security deposit by banks with contested billings, two banks have posted escrow deposits with government banks in the amount of P0.62 billion for contested billings of P0.53 billion.

17.4. Subsequent events

PDIC signed a Memorandum of Agreement (MOA) with a commercial bank and its major stockholders on December 29, 2005 for the grant of rehabilitation assistance in the amount of P9 billion. This is composed of a) secured direct loan of P7 billion; and b) subordinated debt of P2 billion. This financial assistance is contingent on the full infusion of the required capital from the major stockholders, among others .

Auditor's Report



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

The Board of Directors
Philippine Deposit Insurance Corporation
Makati City

We have audited the accompanying balance sheet of Philippine Deposit Insurance Corporation (PDIC) as of December 31, 2005 and the related statements of income and retained earnings, changes in government equity and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Comment and Observation No. 1, PDIC provided an allowance for probable losses of P8.80 billion in the possible non-recovery of losses on various acquired assets purchased from five distressed banks, in consideration of the financial assistance granted. Our examination of the outstanding balance at yearend of non-performing loans receivable acquired from three banks amounting to P10.88 billion indicated that the allowance of at least 91.45% or P9.95 billion has to be provided on these accounts to cover losses in the collection thereof. However, of the required allowance, only P5.70 billion was recorded as of December 31, 2005, hence, additional allowance for probable losses of P4.25 billion needs to be further provided based on the realizable values of these acquired assets from three banks.

In our opinion, except for the effects on the financial statements of not providing additional amount of allowance for probable losses on acquired non-performing loans receivable, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of Philippine Deposit Insurance Corporation as of December 31, 2005, and the results of its operations and its cash flows for the year then ended, in conformity with applicable generally accepted state accounting principles in the Philippines.

COMMISSION ON AUDIT


ROSEMARIE LACSON-LERIO

Director IV
Cluster II - Financial B
Corporate Government Sector



(Upper Row, from left to right): PDIC President and CEO Ricardo M. Tan (Vice Chairman); Finance Secretary Margarito B. Teves (Chairman); BSP Governor Amando M. Tetangco Jr. (Director)

(Lower Row, from left to right): BSP Deputy Governor Nestor A. Espenilla Jr. (Alternate Director); Director Carmen De Venecia Lim; Director Ruben D. Almendras; and Finance Undersecretary Gabriel R. Singson Jr.

Board of Directors

Margarito B. Teves, Finance Secretary Chairman

Margarito B. Teves was appointed Finance Secretary on July 12, 2005. His professional life boasts of a long and multi-faceted career as a banker, an economist and a lawmaker. Before assuming the top post of the Department of Finance, Teves was president of the Land Bank of the Philippines.

His political career began in July 1987 when he was elected as Congressional representative of the 3rd District of Negros Oriental. As a lawmaker, Teves crafted several laws and bills, including Republic Act 7221 that liberalized the entry and scope of operations of foreign banks in the country; Republic Act 6911 or the Magna Carta for Small Enterprises; and Republic Act 8292, an Act amending the Patents, Trademarks and Copyright Laws of the country.

Ricardo M. Tan, PDIC President & CEO Vice Chairman

Ricardo M. Tan assumed vice chairmanship of the PDIC Board with his appointment as PDIC President and CEO on February 27, 2003. He was the former Executive Vice President and Head of the Insurance and Risk Management Sector of PDIC. Tan carries with him 24 years of work experience in various positions held at the Asian Development Bank and four years of banking practice with the Rizal Commercial Banking Corporation. He was a former senior economist at the Central Bank (CB) and a CB Financial Attache in London. He also worked as Presidential Staff Assistant in the Office of the President in the early 1960s.

Amando M. Tetangco, Jr., BSP Governor Director

Amando M. Tetangco, Jr. assumed the governorship of the Bangko Sentral ng Pilipinas (BSP) on July 4, 2005. His ascent to becoming chief of the country's financial regulator is the result of his thirty years' work experience in the then Central Bank. Prior to his appointment as BSP

Governor, he was Deputy Governor in-charge of the Banking Services Sector, Economic Research and Treasury. Tetangco also represented the BSP at the National Economic and Development Authority Board which is chaired by the President of the Republic of the Philippines.

Carmen de Venecia-Lim, Private Sector Representative Director

Carmen de Venecia-Lim joined the PDIC Board of Directors on May 2, 2001. She is the present PDIC consultant to the Philippine National Bank (PNB) and former consultant to the Bank of Commerce. De Venecia-Lim established her career in banking with the then Central Bank of the Philippines where she spent 16 years holding various positions including the rank of supervising bank examiner. She also served as Director to the boards of Philippine Commercial International Bank from 1997-98 and PNB Securities, Inc. from 1995-98. Lim was also the President of Carven Realty, Inc. and a Director of Philippine Chamber of Real Estate Professionals.

Ruben D. Almendras, Private Sector Representative Director

Ruben D. Almendras assumed as PDIC Director on March 9, 2005. Almendras is the Chairman of the Metro Cebu Water District (MCWD). He has served in various capacities as consultant, banker, chairman and president of private and government agencies in a career that spans over three decades. He is currently the president and director of Cebu International Finance Corporation (CIFC), a board director of the Philippine Bank of Communications; and vice president, treasurer and director of J.D. Almendras Corporation.

Alternate Directors

Nestor A. Espenilla, Jr., BSP Deputy Governor
Gabriel R. Singson, Jr., Finance Undersecretary

**Secretary Cesar V. Purisima assumed as chairman of the PDIC Board of Directors on February 15, 2005. He resigned as DOF Secretary on July 8, 2005.*

***Secretary Juanita D. Amatong resigned as DOF Secretary on February 14, 2005*

****BSP Governor Rafael B. Buenaventura's term expired on July 3, 2005.*

Board Committees



AUDIT COMMITTEE

The Board Audit Committee provides oversight supervision over the Corporation's internal audit function. It operates to give reasonable assurance to the PDIC Board of Directors that the internal control system and the internal audit activities are adequate and that they operate effectively and efficiently.

The authority of the Board Audit Committee emanates from the Audit Charter that provides a framework for an independent, objective assurance and consulting activity that will enhance control and internal audit in support of sound corporate governance.

*(From left to right):
Bangko Sentral ng Pilipinas Deputy Governor Nestor A. Espenilla, Jr. (Member); Director Carmen De Venecia-Lim (Chairperson); and Director Ruben D. Almendras (Member)*

RISK MANAGEMENT COMMITTEE

The Board Risk Management Committee (BRMC) determines strategic risks that may affect the viability and survival of PDIC. It recommends policy initiatives and changes to the PDIC Board of Directors to avoid, minimize, mitigate, or transfer identified risks. The BRMC likewise monitors the risk management performance of the operating units by establishing risk limits and risk indicator ratios (e.g., liquidity ratios), and incorporating these in the regular reports of the operating units.



(From left to right): Director Carmen De Venecia-Lim (Member); Finance Secretary Margarito B. Teves (Member); Director Ruben D. Almendras (Chairman); and Finance Undersecretary Gabriel Singson, Jr. (Alternate to Finance Secretary)

The PDIC Management



Executive Committee

(Seated left to right) Imelda S. Singzon, Executive Vice President; Ricardo M. Tan, President and CEO; Cristina Que Orbeta, Executive Vice President

(Standing left to right) Maria Leonida Fres-Felix, Vice President, Communications and Stakeholder Relations Group (observer); Ma. Ana Carmela L. Villegas, Senior Vice President, Management Services Sector; Sandra A. Diaz, Senior Vice President, Financial Resource Management and Comptrollership Sector; Romeo M. Mendoza Jr., General Counsel and Senior Vice President, Legal Affairs Sector; Ma. Ester D. Hanopol, Vice President, Internal Audit Group (observer); and Nestor Z. Flores, Officer-in-Charge, Office of the Senior Vice President-Corporate Services Sector and First Vice President, Human Resource Management and Development Group



Operations-Division I

(Seated left to right) Nestor Z. Flores, Officer-in-Charge, Office of the Senior Vice President-Corporate Services Sector and First Vice President, Human Resource Management and Development Group; Cristina Que Orbeta, Executive Vice President

(Standing left to right) Cynthia B. Marcelo, Assistant Vice President/Officer-in-Charge, Insurance and Risk Assessment Services Group; Shirley G. Felix, Officer-in-Charge, Risk Assessment and Resolution Group 2; Josefina J. Vellilla, First Vice President, Risk Assessment and Resolution Group 1; and Nina Noreen A. Jacinto, Vice President, Administrative Services Group.

Operations-Division II

(Seated left to right) Elizabeth E. Oller, Vice President, CRL Services Group; Imelda S. Singzon, Executive Vice President; Sandra A. Diaz, Senior Vice President, Financial Resource Management and Comptrollership Sector

(Standing left to right) Teresita D. Gonzales, Assistant Vice President/Officer-in-Charge, Receivership and Liquidation Group 1; Lilian I. Serna, Vice President, Insurance Claims Group; Geronimo V. Ambe, Vice President, Comptrollership Group; Catherine T. Magana, Vice President, Financial Resource Management Group; and Nancy L. Sevilla, Assistant Vice President/Officer-in-Charge, Receivership and Liquidation Group 2





Advocacy and Governance

(Seated left to right) Ma. Ana Carmela L. Villegas, Senior Vice President, Management Services Sector; Ricardo M. Tan, President and CEO; Romeo M. Mendoza Jr., General Counsel and Senior Vice President, Legal Affairs Sector

(Standing left to right) Maria Leonida Fres-Felix, Vice President, Communications and Stakeholder Relations Group; Cristine C. Remollo, First Vice President, Legal Services Group; Ma. Antonette B. Bolivar, Vice President, Litigation and Investigation Group; Ma. Ester D. Hanopol, Vice President, Internal Audit Group

(Not in photo) Ma. Aurora M. Pagcaliwagan, Vice President, Information Technology Group

PDIC ETHICS COMMITTEE

In strict compliance with the Code of Conduct and Ethical Standards for Public Officials and Employees or Republic Act No. 6713, the PDIC created the Ethics Committee to ensure that its officers and employees adhere to high ethical standards. The Ethics Committee works to ensure that PDIC public servants perform their duties with the highest degree of integrity and professionalism.

As the Code's active conduit to PDIC, the Ethics Committee formulates and revises guidelines on norms of conduct and ethical behavior. The Committee deliberates on cases that violate the adopted norms of conduct and, when necessary, refers such cases to authorities for appropriate action.

(Seated left to right): Ma. Ester D. Hanopol, Vice President-Internal Audit Group; Cristina Que Orbeta, EVP-Division I (Chairperson)

(Standing left to right): Nestor Z. Flores, Officer-in-Charge, OSVP-Corporate Services Sector and FVP-Human Resources Management and Development Group; Atty. Romeo M. Mendoza Jr., General Counsel and SVP-Legal Affairs Sector; Francis Randy J. Hortelano, Representative of the PDIC Employees Organization (Phildiceo); and Herminia S. Morales, Representative of the PDIC Officers Club



Management Committee

RICARDO M. TAN
President and Chief Executive Officer

CRISTINA QUE ORBETA
*Executive Vice President
Operations-Division I*

IMELDA S. SINGZON
*Executive Vice President
Operations-Division II*

ATTY. ROMEO M. MENDOZA, JR.
General Counsel and Senior Vice President, Legal Affairs Sector

SANDRA A. DIAZ
*Senior Vice President
Financial Resource Management and Comptrollership Sector*

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*Senior Vice President
Management Services Sector*

NESTOR Z. FLORES
*Officer-in-Charge, OSVP-Corporate Services Sector
First Vice President, Human Resource Management
and Development Group*

ATTY. CRISTINE C. REMOLLO
*First Vice President
Legal Services Group*

JOSEFINA J. VELILLA
*First Vice President
Risk Assessment and Resolution Group I*

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*Vice President
Comptrollership Group*

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*Vice President
Litigation and Investigation Group*

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*Vice President
Internal Audit Group*

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CRL Services Group*

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*Vice President
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Insurance and Risk Assessment Services Group*

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*Officer-in-Charge/Assistant Vice President
Receivership and Liquidation Group II*

SHIRLEY G. FELIX
*Officer-in-Charge
Risk Assessment and Resolution Group II*

List of Officers

Advocacy and Governance

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President and Chief Executive Officer

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Technical Assistant II

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Vice President

OFFICE OF THE CORPORATE BOARD SECRETARY

MARY ROSALIND A. ALARCA
Department Manager

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Vice President

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Senior Assistant Manager

Internal Audit Department I

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CYRUS T. GALANG
Senior Assistant Manager

Internal Audit Department II

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Executive Vice President

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JOSEFINA R. FAJARDO
Assistant Manager

ELIZABETH R. PADOLINA
Assistant Manager

Operations-Division II

**OFFICE OF THE EXECUTIVE VICE
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Executive Vice President

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Assistant Manager

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Assistant Manager

Claims Processing Department

ELAINE B. DETICIO
Department Manager

MILA O. TAMAYO
Section Chief

Claims Settlement Department

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Department Manager

ROSENDA L. BARRIL
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THELMA B. ARIAS
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DOROTHY C. EAMILAO
Section Chief

**RL Administrative and Special Services
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EDITHA D. TUMANG
Section Chief

Property Appraisal Department

RECAREDO LEIGHTON A. TAMAYO
Section Chief/OIC

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Support

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LUISITO Z. MENDOZA
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CLARENCE E. DATO
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Legal Risk and Compliance Management Department

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JOSEFINA J. SAMBOLAWAN
Corporate Attorney

OFFICE OF THE VICE PRESIDENT - LITIGATION AND INVESTIGATION GROUP

MA. ANTONETTE B. BOLIVAR
Vice President

Litigation Department

MARIVIC C. ARRIOLA
Department Manager

ROMEL M. BARRERA
Corporate Attorney

GILROY V. BILLONES
Corporate Attorney

RAYMOND C. DE LEMOS
Corporate Attorney

Investigation Department

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ARISTON P. AGANON
Corporate Attorney

ALEXANDER N. DOJILLO
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External Counsel Department

HILARIO N. MARBELLA
Department Manager

CARMEN T. ROMAN
Corporate Attorney

OFFICE OF THE SENIOR VICE PRESIDENT - CORPORATE SERVICES SECTOR

NESTOR Z. FLORES
Officer-in-Charge

OFFICE OF THE FIRST VICE PRESIDENT- HUMAN RESOURCE MANAGEMENT AND DEVELOPMENT GROUP

NESTOR Z. FLORES
First Vice President

Human Resource Management Department

MARIE HAZEL V. CIRIACO
Department Manager

VIRGILIO C. ESTANISLAO
Assistant Manager

ARLENE T. PANGILINAN
Assistant Manager

MA. TERESA C. VESTAL
Assistant Manager

Organization Development and Training Department

IRMINA D. SICIO
Department Manager

ASUNCION S. CALAPAN
Senior Assistant Manager

MA. ANGELETTE I. FLESTADO
Senior Assistant Manager

EUGENE V. BORLONGAN
Section Chief

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Vice President

Procurement and Records Department

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Department Manager

RICARDO D. ANTONIO
Section Chief

VICTORIA P. BLAZA
Section Chief

Property and General Services Department

CARMELYNE J. REYES
Officer-in-Charge

BRAULIO B. BUMANGLAG
Senior Assistant Manager

ERNESTO R. TORRES, JR.
Assistant Manager

HERNANDO L. CATIGBE
Section Chief

PDIC Roll

A

Abadilla, Fernando S.
Aban, Alexis A.
Abeleda, Sonia A.
Abenis, Maria Salome C.
Abiera, Dennis Y.
Abogado, Nerilyn O.
Abriam, Cheryl S.
Acosta, Aileen Lou C.
Acosta, Alejandro Jr. S.
Acosta, Bettina N.
Aduana, Gerhardus C.
Agabao, Lenin D.
Aganon, Ariston P.
Agnes, Ma. Caridad R.
Aguila, Janet B.
Aguilar, Eladio R.
Agustin, Jenelyn P.
Alagos, Daisy Ann T.
Alambra, Loida A.
Alarca, Mary Rosalind A.
Alcoba, Ariel M.
Alteria, Edgardo Jr. A.
Ambe, Geronimo V.
Amigle, Noreen R.
Andaya, Arleigh S.
Andes, Joan P.
Andrada, Jovy R.
Angeles, Beatriz R.
Angeles, Ronald C.
Ani, Jacqueline I.
Aningalan, Racelle B.
Antonio, Florante Jr. F.
Antonio, Maria Gracia N.
Antonio, Niña M.
Antonio, Ricardo D.
Apolinario, Cely E.
Aquino, Ernesto C.
Aquino, Sheila Marie I.
Ara, Erleen B.
Arcangel, Ma. Theresa M.
Arellano, Rosita R.
Argel, Renato R.
Arias, Thelma B.
Arizala, Aura Marina R.
Arriola, Marivic C.
Arriola, Romeo C.
Ascaño, Rhoda R.
Atendido, Jocelyn A.
Atibula, Kenneth T.
Aure, Oliver A.
Aurelia, Edzel D.
Austria, Arlene C.
Austria, Rhea S.
Avecilla, Augusto R.
Ayran, Junnifer P.

B

Bacsal, Dionisia E.
Badillo, Rosa Maria V.
Bagaporo, Ma. Cristina T.
Bagnes, Lyn D.
Baguio, Godofreda P.
Balasabas, Marilou M.
Balde, Ma. Lea D.

Baldono, Sheila Marie C.
Baltazar, Ma. Paz V.
Barral, Rosalie F.
Barranda, Stella D.
Barrera, Romel M.
Barril, Rosenda L.
Barro, Imelda A.
Basañes, Carey G.
Bataan, Liz D.
Batac, Araceli F.
Batalla, Allan Paul G.
Batay, Rosalyn D.
Bathan, Aileen M.
Bautista, Grace V.
Baylon, Josielyn S.
Bello, Sherwin Z.
Bello, Virginia D.
Beltejar, Yshmael C.
Beluan, Ferdinand M.
Bendana, Jose A.
Billones, Gilroy V.
Bitang, Democrito L.
Blaza, Victoria P.
Bolívar, Ma. Antonette B.
Bongalos, Maria Eliza B.
Boñula, Fernando S.
Boone, Aniceta A.
Borlaza, Cynthia G.
Borlongan, Eugene V.
Briones, Erolyn R.
Briones, Guillermo A.
Bueno, Princess L.
Bugayong, Danilo B.
Buiquil, Rene C.
Buising, Marymer D.
Bumanglag, Braulio B.
Buna, Lanie A.
Bundalian, Glenda G.

C

Caba, Phedilyn R.
Cabradilla, Leon C.
Caderao, Mardonio C.
Cagalingan, Carol P.
Calapan, Asuncion S.
Calbario, Auramar D.
Calleja, Ma. Evangeline P.
Calleja, Thelma C.
Calub, Marilou D.
Calvez, Vilma Y.
Canapi, Laarni L.
Cañaverall, Merlie M.
Canela, Enrico R.
Capuno, Jaime C.
Caraig, Myrna C.
Carbonell, Geoderick E.
Careng, Juana L.
Carlos, Ludivina P.
Carolino, Susana R.
Carreon, Aileen B.
Carreon, Delia A.
Carreon, George Benedict O.
Carreon, Luisito M.
Carvajal, Josephine M.
Cascolan, Regierex P.

Casia, Thelma A.
Casiguran, Merlyn F.
Casiño, Ronald S.
Castalla, Rossana V.
Castor, Cleofe D.
Castro, Charmaine Cheryl S.
Castro, Harry C.
Castro, Ma. Margarita G.
Castro, Ruben S.
Catigbe, Hernando L.
Centino, Ofelia M.
Cerdon, Jesse S.
Chingcuangco, Esperanza L.
Ciriaco, Marie Hazel V.
Cobilla, Francisco D.
Comon, Bernadette P.
Concepcion, Dennis H.
Conge, Anastacio T.
Conge, Ma. Teresa D.
Cordero, Ruben C.
Cornista, Elmer R.
Cornista, Monina J.
Corona, Enrico C.
Cortes, Jacinto C.
Cortez, Enrique M.
Costa, Henry A.
Crisostomo, Mary Ann C.
Cruz, Clarinda T.
Cuison, Mary Catherine Z.
Custodio, Angelito A.

D

Dabi, Sandra V.
Dadpaas, Miriam B.
Datingaling, Estelita R.
Dato, Clarence E.
Datu, Flordelis M.
Datu, Marylyn I.
Dayog, Lily F.
De Jesus, Menard B.
De Lemos, Raymond C.
De Leon, Alicia M.
De Leon, Joan S.
De Leon, Rafael D.
De Leon, Rosalia V.
De Mesa, Ma. Lourdes G.
De Silva, Deborah C.
De Vera, Hermil P.
De Vivar, Marianita S.
Decena, Marivic R.
Del Rosario, Alejandro S.
Dela Cruz, Amavi Y.
Dela Cruz, Emelina M.
Dela Cruz, Jofrey B.
Dela Cruz, Nerissa B.
Dela Cruz, Richard O.
Dela Rosa, Franklin M.
Delloso, Mark Anthony L.
Delos Reyes, Noel Q.
Deticio, Elaine B.
Diaz, Sandra A.
Diloy, Mary Ann D.
Dionisio, Veronica D.
Divino, Danilo P.
Dizon, Carlyle G.

Dizon, Francisco N.
Dizon, Rosario E.
Dojillo, Alexander D.
Drilon, Ludovina V.
Dulalia, Rogelio Jr. P.
Dumagpi, Cynthia S.
Dumbrique, Dahlia E.
Durana, Eunice L.

E

Eamilao, Dorothy C.
Enrico, Melanie L.
Enriquez, Remel R.
Escaran, Abigail B.
Escobar, Ma. Corazon J.
Estampador, Ma. Salome D.
Estanislao, Virgilio C.
Esteves, Cherrylyn L.
Estores, Gilda T.
Eugenio, Leah P.
Evangelista, Irene Mercedes D.

F

Fajardo, Imelda A.
Fajardo, Josefina R.
Famor, Joel B.
Famularcano, Maelyn S.
Faune, Lynn N.
Felix, Maria Leonida F.
Felix, Shirley G.
Felix, Yasmin Corazon B.
Fernandez, Madelaine Barbara M.
Fernandez, Reiza Joy S.
Fernando, Modesto Jr. Y.
Ferrerias, Venus V.
Festin, Jose Alexander G.
Firmeza, Arlene Florence E.
Flestado, Ma. Angelette I.
Flores, Elma L.
Flores, Justice Lady S.
Flores, Nestor Z.
Flores, Roberto G.
Floriza, Ma. Lenita I.
Formaran, Lilibeth R.
Francisco, Ma. Luz B.
Franco, Gerardo C.
Fria, Rosario R.

G

Gacayan, Cynthia V.
Galang, Cyrus T.
Galosmo, Fredy S.
Gamboa, Aries T.
Gana, Jose Mari C.
Garay, Marisa A.
Garay, Renato N.
Garcia, Renato C.
Garcia, Teresa H.
Gatdula, Lawrence C.
Gatpatan, Edgar G.
Gaviola, Isabel P.
Gayla, Ma. Nenita N.
Gayondato, Divina C.
Gayondato, Louella Belle L.
Geloca, Imelda V.
Gepila, Mary Jane G.
Gloriani, Imelda L.
Go, Rosalyn M.
Gonzales, Renar M.
Gonzales, Teresita D.

Gopez, Bernadette L.
Granil, Gerardo A.
Guanlao, Anelen L.
Guape, Proceso B.
Guerrero, Napoleon Joey A.
Guico, Ana Liza F.
Guintu, Ma. Teresa C.
Guña, Alex L.

H

Haber, Elmer Juan C.
Hanopol, Ma. Ester D.
Herrera, Peter Noel P.
Hiñola, Anne Belinda N.
Hirang, Teodoro Jose D.
Hombrebueno, Maybelyn V.
Hortelano, Francis Randy J.

I

Ibabao, Wilfrida S.
Ileto, Oliver R.
Indorte, Eloida B.
Infante, Shiela Grace M.

J

Jacinto, Nina Noreen A.
Jandusay, Joel B.
Jao, Jason C.
Javillo, Jonathan L.
Jose, Jacqueline O.
Jose, Napoleon D.
Joven, Celia D.
Joyas, Ma. Victoria C.
Juano, Ada C.
Jurado, Rizalyn P.

K

Kimpo, Gamaliel F.

L

Labatorio, Anne M.
Lacao, Famela Pat B.
Ladra, Luisito H.
Lajom, Jose Alejandro C.
Landicho, Wennie C.
Lao, Analinda C.
Lapinid, Evangeline B.
Lapitan, Ligaya A.
Laquian, Anicetas C.
Larang, Ana Lyn E.
Laresma, Luis D.
Layno, Jocelyn M.
Legaspi, Lionel N.
Lesigues, Victoriano C.
Literal, Nanete Q.
Llamoso, Helen V.
Llana, Maria Flora C.
Lomio, Emerson M.
Loyola, Michelle C.
Lucinario, Nilo Aldrin M.
Lucos, Florante D.
Lumaquez, Jeffrey L.
Lumban, Ma. Sarah A.

M

Maan, Alicia J.
Macadangdang, Glinda R.
Macaspac, Jerome B.

Magana, Catherine T.
Magcase, Airene V.
Magday, Benefico M.
Magsakay, Trinidad F.
Magsino, Imelda K.
Malco, Andres T.
Maloles, Maileen M.
Mana-ay, Lorio G.
Manahan, Helen M.
Manalang, Jo-Ann Marie C.
Manalo, Vanessa Esther G.
Manarpaac, Amor P.
Maniago, Vivencio M.
Mansos, Rodelia R.
Manuel, Rogelio Jr. D.
Manzala, Venus P.
Manzanares, Mauricia C.
Marbella, Hilario N.
Marcelo, Cynthia B.
Marcelo, Joselita L.
Marcelo, Maricel M.
Marcilla, Josette Sonia H.
Margajay, Salud E.
Marges, Eliezer M.
Marges, Realinda R.
Marquez, Rowena P.
Martinez, Luisa F.
Matabang, Apolonio M.
Mateo, Carmina V.
Matutina, Caroline R.
Melo, Emily V.
Mendoza, Edgardo L.
Mendoza, Joselito S.
Mendoza, Liwanag R.
Mendoza, Luisito Z.
Mendoza, Mary Ann M.
Mendoza, Nancy M.
Mendoza, Romeo Jr. M.
Mercado, Jose Alex P.
Mercado, Regina P.
Mercado, Roberto V.
Miano, Jose P.
Miano, Sergio Jr. B.
Mikin, Marlowe F.
Mindanao, Jorge Jr. M.
Minoza, Noela C.
Miranda, Marilou G.
Molines, Rafael A.
Mondero, Vernesa G.
Mones, Emmanuelita R.
Montes, Josefina F.
Monteverde, Helen Evangeline Q.
Morales, Herminia S.
Morales, Rosalina G.
Moreno, Lorna C.
Mozar, Ellen M.
Musni, Melanie V.

N

Nabong, Mary Ardelyn A.
Nadal, Nanita O.
Natividad, Ma. Theresa D.
Nazareno, Anna Ria P.
Nemenzo, Maria Cecilia G.
Nepomuceno, Jocelyn J.
Nicolas, Fortunato A.
Nuevas, Margaret V.

O

Obrero, Angel B.

Ocampo, Joel C.
Ocampo, Sheila Therese P.
Octavo, Winna Fe B.
Olase, Eliza R.
Oldan, Jocelyn Giovanna P.
Oldan, Joven P.
Oller, Elizabeth E.
Olpindo, Babyllinda T.
Onesa, Richard T.
Orbeta, Cristina Q.
Ordas, Lily Ann M.
Orodio, Roselily E.
Ortiz, Amalia T.

P

Padolina, Elizabeth R.
Pagarigan, Cynthia U.
Pagcaliwagan, Ma. Aurora M.
Pagharion, Christi Claire R.
Palmero, Arlene U.
Panaligan, Antonio L.
Paneda, Imelda R.
Pangan, Reffie M.
Panganiban, Jovita Nancy M.
Pangilinan, Arlene T.
Pantaleon, Artemio J.
Pantaleon, Polo Jr. L.
Parra, Mario D.
Parreno, Edmundo P.
Pascual, Ethel C.
Pascual, Ma. Teresa B.
Patalinghug, Quralene P.
Patron, Rosanna A.
Patron, Vafil V.
Payumo, Farrah Belle G.
Pe Benito, Romeo V.
Penus, Arnel D.
Peraja, Marizel B.
Peralta, Arlene A.
Perez, Josefina B.
Permejo, Alicia R.
Pico, Ferdinand V.
Pineda, Jocelyn D.
Poblete, Lolita B.
Poblete, Rosalia S.
Policarpio, Carlota S.
Portacio, Nelson G.
Prado, Andres Jr. A.
Punay, Ma. Teresa N.
Puno, Allan Joseph L.
Putong, Fe H.
Puzon, Marivic C.

Q

Quemada, Jonah A.
Quintano, Ignacio M.

R

Racelis, Cristina M.
Rafales, Wilfredo B.
Rama, Nestor M.
Ramirez, Joseph Ariel P.
Ramirez, Marcia Bella C.
Rañola, Corazon D.
Rante, Rodolfo Reynaldo B.
Rebadavia, Jennette C.
Recitas, Ma. Carmen Rosario Z.
Reformado, Ma. Monita B.
Relucio, Ma. Lourdes R.

Remollo, Cristine C.
Remolona, Agnes E.
Repedro, Rizalina I.
Resurreccion, Josette O.
Resuta, Edmund Jerome G.
Reyes, Carmelyne J.
Reyes, Fely D.
Reyes, Lilian P.
Reyes, Raul C.
Reyes, Rey Michael H.
Reyes, Ronald L.
Ribay, Madeleine C.
Rico, Zenaida R.
Rigayen, Evangeline T.
Rivera, Cecilia C.
Rivera, Cristonick V.
Rivera, Radamis C.
Robes, Ferdinand P.
Rodrigo, Ramil B.
Rolle, Veronica O.
Roman, Carmen T.
Romana, Joseph Gerard F.
Ronquillo, Wilfredo Jr. E.
Roque, Anna Liese L.
Rosaceña, Voltaire E.
Rubrico, Minviluz O.

S

Sabino, Ma. Divina E.
Sabino, Robert Dennis S.
Sala, Joyce A.
Salamanca, Grace G.
Salazar, Jesus Jr. G.
Salceda, Arnel V.
Salcor, Ma. Theresa B.
Salgado, Imelda R.
Salinas, Emma F.
Salonga, Emilia C.
Salonga, Loretta M.
Salvo, Ma. Rulina U.
Sambolawan, Josefina J.
Samonte, Leonor S.
Samson, Imelda D.
Samson, Maida G.
Samson, Samuelex S.
San Pedro, Josefina S.
Sanchez, Ma. Bernadette R.
Santillan, Ismael C.
Santillan, Mary Ann M.
Santos, John Ephraim A.
Santos, Julita A.
Santos, Maritess H.
Santos, Milet B.
Saret, Jaime H.
Saret, Paulo V.
Saura, Edmundo L.
Saura, Elisa T.
Sena, Hermienigildo Jr. H.
Serafin, Evelyn R.
Serna, Lilian I.
Sese, Joseph Emil G.
Sevilla, Nancy L.
Siat, Glenn Florentino V.
Sicio, Irmina D.
Sigua, Meliza M.
Simon, Ariel C.
Simplicio, Delhi C.
Sinco, Lerma E.
Singzon, Imelda S.
Soldevilla, Rosalie L.

Solis, Ferdinand S.
Solis, Ma. Cristina S.
Soltura, Nenita A.
Soneja, Lyn L.
Soriano, Jocelyn A.
Soriano, Lani B.
Suguitan, Christopher G.
Suguitan, Lynette L.
Sumawang, Ma. Cecilia C.
Sy, Emma D.
Sy, Myra S.
Sykimte, Baldwin L.

T

Tablizo, Edwin M.
Tabugader, Thelma M.
Tagle, Amabelle L.
Tamayo, Mila O.
Tamayo, Recaredo Leighton A.
Tan, Abella M.
Tan, Manuel C.
Tan, Ricardo M.
Tan, Victoria D.
Tanieca, Corazon G.
Tapia, Sandra P.
Tatu, Josefina May G.
Tolentino, Ionie L.
Tongko, Bernardino A.
Torres, Andrew Fortunato Jr. D.
Torres, Daisy F.
Torres, Ernesto Jr. R.
Torres, Marcelo M.
Trogani, Martina C.
Tulaylay, Ma. Rafaela T.
Tumang, Editha D.
Tumbokon, Nathanael A.
Turgo, Aurora P.

U

Unlayao, Jannel G.

V

Valdezco, Michael R.
Vallada, Ma. Joselyn S.
Vallado, Susan Victoria P.
Vargas, Ricky R.
Velasco, Janet L.
Velasquez, Andres C.
Velez, Renato P.
Velilla, Josefina J.
Vergara, Norman Q.
Veridiano, Arvin A.
Vestal, Ma. Teresa C.
Victoria, Genoveva A.
Villaluna, Niño Ray L.
Villanueva, Karen Suzette D.
Villanueva, Ma. Theresa S.
Villareal, Joval T.
Villaret, Jose Jr. G.
Villegas, Ma. Ana Carmela L.
Villeno, Madeline T.
Viloria, Kathleen P.
Viñas, Glen P.
Viray, Ana Rosa E.

Y

Ybañez, Antonio Errol Jr. B.

Regulatory Issuances

PDIC REGULATORY ISSUANCE NO. 2005 - 01

TO : MEMBER BANKS

SUBJECT : PROCEDURE FOR FILING OF REGULAR CERTIFIED STATEMENTS AND PAYMENT OF ASSESSMENT FEES

Pursuant to Sections 6 (a), (b) and 21 (f)(10) and (g) of Republic Act (RA) No. 3591, as amended by RA 9302, the Board of Directors of PDIC, by virtue of Resolution No. 2005-01-007 dated 19 January 2005, approved the following rules and regulations on the filing of Regular Certified Statements (RCS), payment of assessment fees and collection of delinquent assessment fees:

SECTION 1. *Filing of RCS*

On or before the 31st of January and 31st of July of each year, each member bank shall file with PDIC certified statements showing for the six (6) months ending on the preceding December 31 and June 30, respectively, the amount of the assessment base and the amount of the semi-annual assessment fees due to PDIC. The RCS shall be filed in quadruplicate copies, which shall be verified and signed under oath by an authorized officer of said bank. In addition, the RCS shall be accompanied by the required schedules enumerated in PDIC RI 2002-04.

SECTION 2. *Payment of Semi-Annual Assessment Fee.*

Together with the filing of the RCS, the member bank shall pay to PDIC the amount of the semi-annual assessment fee as stated therein.

The semi-annual assessment fee shall be the product of the assessment base multiplied by 1/2 of 1/5 of 1%, but in no case shall the assessment be less than Five Thousand Pesos (P5,000.00). The assessment fee shall be paid to the Philippine Deposit Insurance Corporation (PDIC) either in cash, or Metro Manila/regional clearing check, manager's check, demand draft, or Philippine postal money order (PPMO).

SECTION 3. *Effects of Non-Payment of Assessment Fee.*

The defaulting bank is prohibited from paying any dividend on its capital stock or interest on its capital notes or debentures (if such interest is required to be paid only out of net profits) or distribute any of its capital assets as long as it remains in default in the payment of any assessment due to PDIC, inclusive of interest and/or penalty charges, in accordance with Section 21 (b) or RA 3591, as amended.

SECTION 4. *Demand for the Filing of RCS and/or Payment of Semi-Annual Assessment Fee.*

SECTION 4.1. *First Demand and Imposition of Interest Charges.*

Should any insured bank fail to file the certified statement and/or pay the corresponding assessment fee within the prescribed deadline, PDIC shall, within thirty (30) calendar days after said deadline, send by way of registered mail, a demand letter to the defaulting bank to comply with the filing of the certified statements and/or pay the corresponding assessment fee within thirty (30) calendar days from receipt thereof.

Interest charges at the legal rate on loans as prescribed by law or appropriate authority, reckoned from date the assessment became due and payable, shall be imposed upon the defaulting bank.

SECTION 4.2. *Final Demand and Additional Imposition of Penalty Charges.*

Should the defaulting bank fail or refuse to comply with the first demand, the same shall constitute willful failure or refusal by the bank to pay the corresponding assessment fees and interest charges. In which case, PDIC shall send the second and final letter, through such mode of service as may deem expeditious and efficient, to the defaulting bank demanding compliance thereto within thirty (30) days from receipt thereof.

Penalty charges equivalent to twice the amount of interest payable for each day said violation continues shall be added thereon.

SECTION 4.3. *Institution of Case(s) and/or Such Other Actions/Proceedings, and Imposition of Administrative Sanctions and Penalties.*

Should the defaulting bank still fail or refuse to comply with the final demand, including the payment of interest and penalty charges, PDIC shall institute a case for collection as provided in Section 6 (g) and (h) before the appropriate court and without prejudice to the imposition of administrative sanctions and penalties, and the filing of criminal case, as allowed under Section 21 (f)(10) and (g) of RA 3591, as amended.

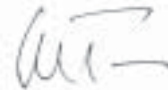
If warranted, PDIC may institute actions and proceedings provided under Section 7 (a) and (b) of RA 3591, as amended.

SECTION 5. *Repeal of Previous Rules and Regulations Inconsistent Herewith.*

Regulatory Issuance Nos. 2002-02 and 2003-01 (re Guidelines on Termination and Reinstatement of Insured Status of Banks) issued on 26 March 2002 and 20 August 2003 are hereby repealed, and all other rules and regulations that are inconsistent herewith are amended accordingly.

SECTION 6. *Effectivity.*

This RI shall take effect fifteen (15) days after its publication in a newspaper of general circulation.



RICARDO M. TAN
President and Chief Executive Officer

19 January 2005

PDIC REGULATORY ISSUANCE NO. 2005 - 02

Pursuant to Section 9(b-1) of Republic Act No. 3591, as amended, the Board of Directors of PDIC, by virtue of Resolution No. 2005-05-060 dated May 25, 2005, approved the adoption and promulgation of the following rules to govern PDIC's exercise of its fact-finding investigation powers.

RULE 1. GENERAL PROVISIONS

SECTION 1. Title.

These Rules shall be known as the **PDIC Rules on Fact-Finding Investigation of Fraud, Irregularities and Anomalies Committed in Banks.**

SECTION 2. Coverage.

These Rules shall be applicable to all fact-finding investigations on fraud, irregularities and/or anomalies committed in banks that are conducted by PDIC based on: [a] complaints from depositors or other government agencies; and/or [b] final reports of examinations of banks conducted by the Bangko Sentral ng Pilipinas and/or PDIC.

SECTION 3. Definition of Terms.

The terms hereunder shall be construed as follows:

- (a) **"BSP"** shall refer to Bangko Sentral ng Pilipinas.
- (b) **"Bank" or "banking institution"** are synonymous and interchangeable and shall refer to an entity authorized by the Monetary Board to engage in the lending of funds obtained from the public through the receipt of deposits and whose deposits are insured with PDIC.
- (c) **"PDIC Board"** shall refer to PDIC's Board of Directors.
- (d) **"Charter"** shall refer to Republic Act No. 3591, as amended.
- (e) **"Complaint"** shall be as defined in Section 3, Rule 3 of these Rules.
- (f) **"Depositor"** shall refer to a natural or juridical person who has a deposit with a bank subject of a complaint.
- (g) **"Examiner"** shall refer to a PDIC officer, employee or agent appointed by the PDIC Board to examine and evaluate the condition/overall soundness of a bank.
- (h) **"Final Report of Examination"** shall be as defined in Section 2, Rule 3.
- (i) **"Fraud"** shall refer to anything calculated to deceive, including acts, omissions and concealment involving a breach of legal or equitable duty, trust, or confidence justly reposed, resulting in damage to another, or by which an undue and unconscientious advantage is taken of another.
- (j) **"General Counsel"** shall refer to the General Counsel of PDIC.
- (k) **"Government Agency"**, when used herein, shall refer to a regulatory agency or an agency expressly vested with jurisdiction to regulate, administer or adjudicate matters affecting substantial rights and interests of private persons.
- (l) **"Investigation"** shall refer to fact-finding examination, study or inquiry for determining whether the allegations in a complaint or findings in a final report of examination may properly be the subject of an administrative, criminal or civil action.
- (m) **"Investigator"** shall refer to a PDIC officer, employee or agent appointed by the PDIC Board to conduct a fact-finding investigation under these rules.
- (n) **"Irregularity" or "Anomaly"** shall refer to acts or omissions which do not constitute fraud but which may: [a] constitute an unsound or unsafe banking practice as may be defined by the BSP and/or the PDIC Board; [b] be a violation of the Charter, PDIC rules, regulations or instructions, and/or any written condition imposed by PDIC in connection with a transaction or grant by PDIC; and/or [c] not conform to what is generally considered or accepted as proper or right practice in the banking industry, or deviate/s from a general or common course, rule, practice or method prescribed by law or regulation.
- (o) **"PDIC"** shall refer to the Philippine Deposit Insurance Corporation.
- (p) **"President and Chief Executive Officer"** shall refer to the President and Chief Executive Officer of PDIC.

SECTION 4. Proceedings in Investigations.

Being non-adversarial in nature, fact-finding investigation shall not adhere to technical rules of procedure.

SECTION 5. Confidential in Nature.

The entire fact-finding investigation proceedings under these Rules shall be confidential in nature; except, when there is a finding in the investigation that may properly be the subject of a criminal or civil action. Further, any disclosure regarding the fact-finding investigation or the results thereof shall be in accordance with the provisions of Republic Act No. 3591, as amended.

RULE 2. SCOPE AND JURISDICTION

SECTION 1. Scope of the Investigation.

Fact-finding Investigations shall be limited to the particular acts or omissions subject of a complaint or a Final Report of Examination.

SECTION 2. Jurisdiction to Conduct Investigation of Fraud, Irregularities and Anomalies.

PDIC shall exercise jurisdiction over complaints filed by depositors or other government agencies and/or recommendations for the conduct of fact-finding investigation contained in Final Reports of Examination or any adverse finding stated therein involving fraud, irregularities and/or anomalies committed in bank/s that is/are:

- (a) Likely to cause insolvency or substantial dissipation of assets or earnings of the bank;
- (b) Likely to seriously weaken the condition of the bank;
- (c) Likely to seriously prejudice the interests of the depositors and PDIC;
- (d) Likely to expose the deposit insurance fund to risks or PDIC to the payment of deposit insurance; and/or
- (e) In violation of the PDIC Charter, orders, rules, regulations or instructions and/or any written condition imposed by the Corporation in connection with a transaction or grant by the Corporation.

SECTION 3. Other Types of Fraud, Irregularities and Anomalies.

Complaints and Final Reports of Examination involving fraud, irregularities and/or anomalies other than those mentioned in Section 2 of this Rule shall be referred to the appropriate government agency or authority.

RULE 3. PRE-REQUISITES AND INITIATORY ACTS

SECTION 1. Authorization by the PDIC Board.

In all cases, a fact-finding investigation shall be conducted only upon authorization by the PDIC Board acting on the recommendation contained in a Final Report of Examination or based on any adverse finding stated therein, and/or a complaint from a depositor or government agency. The Board shall likewise authorize the filing of criminal, civil, and/or administrative charges, if warranted. For this purpose, said authority is delegated to the President and Chief Executive Officer or the General Counsel in accordance with existing PDIC policies.

SECTION 2. Final Report of Examination.

A Final Report of Examination shall refer to the document approved by the PDIC Board or the Monetary Board containing a written statement/narration of the findings and/or recommendations resulting from an examination of a bank.

A Final Report of Examination of examiners of PDIC and/or BSP shall contain the following:

- (a) If possible, full name(s) and address(es) of the bank and/or its directors, officers, employees or agents or such description as would identify who appear to be responsible for the commission of fraud, irregularities and/or anomalies; and
- (b) A narration of the relevant and material facts which shows the fraudulent, irregular or anomalous acts or omissions allegedly committed in a bank.

In addition to the foregoing, copies of relevant documents, if available, should accompany the Final Report of Examination.

SECTION 3. Complaint.

A complaint is a verified statement from a depositor alleging the commission or omission of certain acts which constitute fraud, irregularity or anomaly in a bank. The complaint shall follow the form attached hereto as Annex "A" and/or contain the following:

- (a) Full name and address of the complainant;
- (b) Full name and address of the bank and/or the names or sufficient description that will identify the directors, officers, employees and/or agents thereof who appear to be responsible for the commission of fraud, irregularities and/or anomalies;

- (c) A narration of the relevant and material facts which shows the fraudulent, irregular or anomalous act or acts allegedly committed in a bank;
 - (d) A statement that the complainant has not commenced any action or filed any claim involving the same issues with BSP or any court, tribunal or quasi-judicial agency and, to the best of his/her knowledge, no such other action or claim is pending therein; or a full disclosure of the status of an action or claim involving the same issues filed with BSP or any court, tribunal or quasi-judicial agency;
 - (e) An undertaking that if the complainant should thereafter learn that a similar action or claim has been filed or is pending, he/she shall report that fact within five (5) days therefrom to PDIC;
 - (f) If the incident complained of involves the deposit account of the complainant with the subject bank, a statement authorizing PDIC to look into the deposit account of the complainant for purposes of the investigation; and
 - (g) Documents and/or affidavits, if any, supporting the allegations in the complaint.
- In the absence of any one of the aforementioned requirements other than paragraph [g], the complaint may be dismissed.

A report from a government agency of fraud/irregularity/anomaly allegedly committed in a bank that is furnished PDIC, accompanied by a written request for the conduct of an investigation, is considered a valid complaint under these Rules.

SECTION 4. When and Where to File a Complaint.

Complaints shall be filed with the Investigation Department of PDIC within office hours.

SECTION 5. Withdrawal of the Complaint.

The withdrawal of a complaint shall not result in its outright dismissal. Where there is sufficient basis or merit to the allegations in the complaint, or where there is documentary evidence that would tend to prove the act or acts complained of, the fact-finding investigation shall proceed accordingly.

SECTION 6. Action on the Complaint.

A fact-finding investigation shall be commenced upon approval of the PDIC Board for the conduct thereof based on a complaint that is sufficient in form and substance.

A complaint dismissed for non-compliance with the provisions of Section 3 of this Rule shall be reflected in a periodic report to be submitted to the appropriate authority.

Further, in instances wherein a complaint raises issues that are already pending before a court, tribunal and/or another administrative agency, PDIC, after coordinating with the court, tribunal and/or administrative agency concerned, may still proceed with the investigation if no law or rule of procedure shall be violated thereby. This shall likewise be reflected in the periodic report mentioned in the immediately preceding paragraph.

RULE 4. CONDUCT OF INVESTIGATION

SECTION 1. Notice of Fact-Finding Investigation.

In instances where the fact-finding investigation shall be conducted within bank premises, the investigators shall serve a Notice of Fact-Finding Investigation on the highest ranking officer of the Head or Branch office of the bank subject of the fact-finding investigation, copy furnished the Office of the Bank President. Notice shall be served on the day the fact-finding investigation within bank premises shall be conducted.

Refusal to receive, accept or acknowledge the said notice shall not prevent the conduct of the fact-finding investigation within bank premises.

SECTION 2. Contents of Notice.

The Notice of Investigation shall identify the investigators authorized by the PDIC Board to conduct the investigation and shall state with particularity the alleged violation committed by the bank and/or its directors, officers, employees or agents, as well as the specific area of investigation. The notice shall likewise contain an advisory that the entire proceedings of the investigation are confidential in nature and the conduct thereof shall not be disclosed except under the circumstances stated in Section 5, Rule 1 hereof.

SECTION 3. Authority of Investigator/s.

The investigator/s, in the conduct of an investigation directed by the PDIC Board, has/have, among others, the power and authority to:

- (a) Enter the premises of the bank subject thereof, during reasonable hours and in the presence of an officer and/or employee of the bank. In the absence of an officer and/or employee of the bank, the investigator is authorized to secure the presence of a person in authority or an agent of a person in authority to witness the entire proceedings;
- (b) Administer oaths, examine, take and preserve testimony of any person in relation to the subject of the investigation;
- (c) Inspect any pertinent document and/or record of the bank pursuant to the purpose of the investigation; and
- (d) Secure certified true copies of any document necessary for the conduct of the investigation and/or the preparation of the investigation report.

Any act committed by the bank under investigation or by any of its directors, officers, employees or agents, that is intended to or shall prevent, impede or obstruct the exercise by the investigator/s of the foregoing powers or authority shall constitute a violation of the PDIC Charter.

RULE 5. INVESTIGATION REPORT

SECTION 1. Investigation Report.

The result of the investigation shall be in writing and signed by the investigator/s who conducted the same. It shall contain the following:

- (a) Brief Statement of the Complaint;
- (b) Narration of Facts;
- (c) Statement of the Findings (including the acts or omissions constituting violation of pertinent banking, administrative and/or penal laws and the provision of law violated if such is the case);
- (d) Basis for the Findings (including copies of documents); and
- (e) Recommendation.

SECTION 2. Period for Submission of the Report.

The Investigation Report shall be submitted to the appropriate authority within thirty (30) calendar days from the termination of the investigation.

SECTION 3. Action on the Report.

The appropriate authority may approve, modify or disapprove the recommendation contained in the Investigation Report and/or direct the conduct of a re-investigation. The provisions of the immediately preceding Rule (Rule 4) shall be applicable to any re-investigation conducted by PDIC.

RULE 6. FILING OF CHARGES

SECTION 1. Filing of Actions.

In the event that the Investigation Report, as approved by the appropriate authority, recommends the filing of criminal, civil and/or administrative charges, the Investigation Department shall prepare and file the appropriate complaint/s.

RULE 7. MISCELLANEOUS PROVISIONS

SECTION 1. Repealing Clause.

All other related rules and/or regulations that are inconsistent herewith are hereby repealed or amended accordingly.

SECTION 2. Separability Clause.

If any portion, provision or section of these Rules or the application thereof to any person or circumstance is held invalid by competent authority, the other portions, provisions or sections thereof or their application to other persons or circumstances shall not be affected thereby and remain valid.

SECTION 3. Effectivity.

This Regulatory Issuance shall take effect fifteen (15) days after publication in a newspaper of general circulation.

*N.B.: This form shall serve only as a guide and may be in a language or dialect known to the complainant-affiant.

<p>Republic of the Philippines) _____) S.S.</p> <p style="text-align: center;"><u>AFFIDAVIT</u></p> <p>I, _____, single/married, ____ years old, presently residing at _____, under oath, do hereby depose and state that:</p> <ol style="list-style-type: none"> I have a savings/time/current account deposit with _____ Bank, _____ Branch, with office address at _____. The said deposit is designated as Account No. _____ and has a balance of _____ (Php _____) as of _____, 20__. (State WHAT is the incident being complained of, WHEN and WHERE it happened.) (Describe HOW the incident transpired.) (If known, state the name or identity of the alleged perpetrator of the incident complained of and that person's position in the bank.) (If likewise known, state WHY the incident happened.) (If any, state the name or identity of the witnesses to the incident or the persons who may be able to attest thereto.) (If any, state the documents that may prove the incident and attach copies thereof to the affidavit.) I have not commenced any action or filed any claim involving the same issues before the BSP or any court, tribunal or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein. (If there is a similar case or action, full disclosure of the status of the same should be done. The following details should be provided: the court/tribunal/government agency where the action/claim is filed; nature of action/claim; parties; date action/claim was filed; etc.) If I should thereafter learn that a similar action or claim has been filed or is pending before a court, tribunal or agency, I undertake to report that fact within five (5) days therefrom to PDIC. (Include only if the complaint involves a deposit in the bank) By reason of the fact that my deposit with Account No. _____ is involved in 	<p>Republika ng Pilipinas) _____) S.S.</p> <p style="text-align: center;"><u>SINUMPAANG SALAYSAY</u></p> <p>Ako, si _____, walang asawa/may asawa, ____ taong gulang, kasalukuyang naninirahan sa _____, pagkatapos makapanumpa ng naaayon sa batas, ay malayang nagsasaysay na:</p> <ol style="list-style-type: none"> Ako ay may savings/time/current account deposit sa _____ Bank, _____ Branch na matatagpuan sa _____ (ADDRESS). Ang nasabing deposito ay may Account No. _____ at may balanseng nagkakahalaga ng _____ (Php _____) noong _____. (Isalaysay kung ANO ang insidenteng inireklamo, KAILAN at SAAN ito naganap) (Isalaysay kung PAANO naganap ang insidente.) (Kung kilala, isalaysay kung SINO ang may kagagawan ng insidenteng inireklamo at ano ang posisyon niya sa Bangko.) (Kung alam din, isalaysay kung BAKIT naganap ang insidente) (Kung mayroon, isalaysay kung sino-sino ang nakakita sa insidente o kasama nang maganap ang insidente o makapagpapatunay nito.) (Kung mayroon, sabihin kung anu-anong mga dokumento ang magpapatunay sa mga nakasaad sa itaas at maglakip ng sipi o kopya nito sa salaysay.) Ako ay walang ibang isinampang reklamo sa anumang hukuman o tanggapan laban sa nabanggit na bangko at mga tao hinggil sa pangyayaring nakasaad sa itaas, at sa aking pagkakaalam ay walang ibang kasong katulad ng reklamong ito ang nakasampa kung saan man. (Kung mayroong nakasampang kasong kahalintulad ng reklamong ito, dapat isaad ang mga detalye nito tulad ng hukuman o tanggapan pinagsampahan, kailan isinampa, sino ang mga partido, ano ang kasong isinampa, atbp.) Ipinangangako ko na kung malalaman ko na mayroong kaso o reklamong kahalintulad nito ang nakasampa sa anumang hukuman o tanggapan
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this complaint, I am expressly authorizing PDIC and/or any of its duly-authorized representatives to examine all the records of the said deposit account and secure copies thereof in accordance with the exception provided for under Republic Act No. 1405 (Law on Secrecy of Bank Deposits).

11. I am executing this affidavit to attest to the truth of the foregoing and for whatever legal purpose it may serve.
12. At the moment, affiant further sayeth naught.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 20____, in _____, Philippines.

Affiant

SUBSCRIBED AND SWORN to before me this ____ day of _____, 20____, in _____, Philippines, with the affiant exhibiting his/her Community Tax Cert. No. _____, issued on _____, at _____.

Notary Public

Doc. No. _____
Page No. _____
Book No. _____
Series of 20____.

ay ipaaalam ko ito sa PDIC sa loob ng limang (5) araw.

10. (Ilagay kung ang reklamo ay nakabatay sa deposito sa bangko) Sa kadahilanang ang reklamong ito ay nakabatay sa nabanggit na deposito ko na may Account No. _____ sa naturang bangko, aking hayagang pinahihintulutan ang PDIC o sinumang kinatawan nito na suriin ang lahat ng rekord o talaan ng aking deposito at makakuha o makapagpakopya ng anumang dokumento o rekord/talaan hinggil dito ayon sa liban o "exception" na nakasaad sa Republic Act No. 1405 ("Law on Secrecy of Bank Deposits").
11. Isinasagawa ko ang salaysay na ito upang patotohanan ang lahat ng nakasaad sa itaas at para sa anupamang kadahilanang naayon sa batas.
12. Sa ngayon, ay wala na akong nais pang sabihin.

BILANG KATUNAYAN NG LAHAT, ako ay lumalagda ngayong ika-____ ng _____, 20____, sa _____, Pilipinas.

Nagsasaysay

SINUMPAAN AT NILAGDAAN sa harap ko ngayong ika-____ ng _____, 20____, sa _____, at ipinakita sa akin ng nagsasaysay ang kanyang Community Tax Cert. No. _____, na ipinagkaloob noong _____, sa _____.

Notaryo Publiko

Doc. No. _____
Page No. _____
Book No. _____
Series of 20____.

PDIC REGULATORY ISSUANCE NO. 2005 - 03

TO : MEMBER BANKS
SUBJECT : PDIC Administrative Offenses, Fines and Procedure

Pursuant to Section 21 (g) of Republic Act No. 3591, as amended, the Board of Directors of PDIC, by virtue of Resolution No. 2005-05-060 dated May 25, 2005, approved the promulgation of the **PDIC Rules on Administrative Offenses, Fines and Procedure in Administrative Cases.**

PART I – Administrative Offenses and Fines

Section 1. **Definition of Terms.** – For purposes of this Regulatory Issuance, the following terms shall mean:

- a. **“Administrative Fine”** shall refer to the amount of money which a bank and/or any of its director(s), officer(s), employee(s) or agent(s) is made to pay for committing any of the administrative offenses defined in this Regulatory Issuance.
- b. **“Deposit Records”** shall include, but not be limited to, subsidiary ledgers of deposit liabilities; duplicate copies of time certificates of deposits; deposit agreements (particularly with respect to joint accounts); signature cards; registers or logbooks used in connection with the issuance of new deposit accounts; individual files maintained by the bank for depositors (mainly for corporate accounts), if any; computer systems and data bases (including system documentation/manuals) pertaining to deposit operations; the deposit liabilities control ledgers which are part of the General Ledger of the bank; deposit/withdrawal slips; debit/credit memos; and other bank records having relevance to deposit liabilities.
- c. **“False”** information/statement shall refer to untrue, incorrect, inaccurate, erroneous and/or misleading information/statement as to facts alleged or amounts reported or stated in the reports and/or supporting schedules/attachments or forged, altered and/or tampered documents/papers.
- d. **“Splitting of Deposits”** occurs whenever a deposit account with an outstanding balance of more than the statutory maximum amount of insured deposit maintained under the name of natural or juridical persons is broken down and transferred into two or more accounts in the name/s of natural or juridical persons or entities who have no beneficial ownership on transferred deposit in their names within thirty (30) days immediately preceding or during a bank-declared holiday, or immediately preceding a closure order issued by the Monetary Board of the Bangko Sentral ng Pilipinas for the purpose of availing of the maximum deposit insurance coverage.
- e. **“Unsafe and Unsound Practices”** – Shall refer to the acts or omissions as may be defined by the Bangko Sentral ng Pilipinas and/or the Board of Directors of PDIC.
- f. **“Willful Refusal”** – means the unjustified failure or avoidance or delay to perform an obligation imposed upon a bank and/or any of its director(s), officer(s), employee(s) or agents under any order, regulation or directive issued by PDIC.

Section 2. **Administrative Offenses.** – The following acts or omissions shall constitute an Administrative Offense:

- a. Any willful refusal to submit reports as required by law, rules and regulations;
- b. Any unjustified refusal to permit examination and audit of the deposit records or the affairs of the institution;
- c. Any willful making of a false statement or entry in any bank report or document required by PDIC;
- d. Submission of false material information in connection with or in relation to any financial assistance of PDIC extended to the bank;
- e. Splitting of deposits or creation of fictitious loans or deposit accounts;
- f. Refusal to allow PDIC, its officers, employees and/or agents to take over the affairs, assets, liabilities and administration of a closed bank placed under its receivership or obstructing such action of PDIC;
- g. Refusal to turn over or destroying or tampering bank records;
- h. Fraudulent disposal, transfer or concealment of any asset, property or liability of the closed bank under receivership of PDIC;
- i. Violation of, or causing any person to violate the exemption from garnishment, levy, attachment or execution provided under Republic Act No. 3591, as amended, otherwise known as the PDIC Charter, and Republic Act No. 7653, otherwise known as the New Central Bank Act;
- j. Any willful failure or refusal to comply with, or violation of any provision of the PDIC Charter, this Regulatory Issuance or any PDIC order, rule or regulation or commission of any other irregularities, and/or conducting business in an unsafe or unsound manner as may be determined by the Board of Directors of PDIC and/or the Bangko Sentral ng Pilipinas.

Section 3. **Administrative Fines.** – In the absence of any specific fine imposed by PDIC for any of the acts or omissions specified under Section 2, the following administrative fines shall be imposed on any bank and/or any of its director(s), officer(s), employee(s) or agent(s):

1. For offenses mentioned in section 2 (a), (b), (c), (d), (f), (g), (i) and (j) a fine as may be determined by the Board of Directors of PDIC but in no case to exceed P300,000.00 for each banking day of violation.
2. For offenses mentioned in section 2 (e), a fine as may be determined by the Board of Directors of PDIC but in no case to

exceed 100% of the total amount split or fictitious loan created.

3. For offenses mentioned in section 2 (h), a fine as may be determined by the Board of Directors of PDIC but in no case to exceed the fair market value of the asset disposed, transferred or concealed or the amount of liability concealed. Should the bank derive any financial gain as a result of the fraudulent, irregular and/or anomalous transaction, additional fine equivalent to the amount of the benefit shall be imposed.

The Administrative Fine imposed on a bank and/or any of its director(s), officer(s), employee(s) or agent(s) shall in no case exceed three times the amount of the damages or costs caused by the fraudulent, irregular and/or anomalous transactions for each day that the violation subsists, taking into consideration the attendant circumstances, such as the nature and gravity of the violation or irregularity and size of the bank.

The damage or cost mentioned in the immediately preceding paragraph shall include financial benefit to the bank as a result of the fraudulent, irregular and/or anomalous transaction committed.

PART II – Rules of Procedure in Administrative Investigation

Section 4. Applicability. – These rules shall apply to administrative investigations conducted against any bank and/or any of its director(s), officer(s), employee(s) or agent(s) charged with violation of any of the administrative offenses enumerated in Section 2 hereof.

Section 5. Nature of proceedings. – Subject to the requirements of due process, the administrative investigation contemplated herein shall be conducted in a summary manner without strictly adhering to the legal technicalities obtaining in the courts of law.

Section 6. Confidentiality. – The administrative investigation conducted under this Regulatory Issuance shall be confidential in nature except when disclosure thereof is required under any provision of law or this Regulatory Issuance.

Section 7. Administrative charge.

a. *Where referred.* – All complaints for violation of Section 2 of this Regulatory Issuance shall be filed with the Office of the General Counsel of PDIC which shall refer the same to the Investigation Department for evaluation. The Investigation Department after evaluating the complaint and its supporting documents, if any, may:

- (1) Dismiss the complaint;
- (2) Conduct a fact-finding investigation in accordance with the Regulatory Issuance No. 2005-02 if the complaint involves fraud, irregularity or anomaly; or
- (3) Institute administrative charge(s) against the bank concerned and/or its director(s), officer(s), employee(s) or agent(s).

b. *Contents.* – The administrative charge must be in writing, stating clearly and sufficiently the facts constituting the administrative offense(s) complained of and the names of person(s) charged, their designations and their respective addresses.

The administrative charge shall include relevant documentary and other evidence and affidavits of witnesses, if any.

Section 8. Notice and Hearing.

(a) Upon receipt of the administrative charge by the Office of the General Counsel, an Administrative Hearing Committee (AHC) shall be immediately constituted to hear the charge/complaint.

(b) After the AHC has been convened, and within ten (10) days from receipt of the administrative charge, the AHC shall cause the issuance of a notice to the bank and/or any of its director(s), officer(s), employee(s) or agent(s) charged with an administrative offense requiring the latter to explain why it should not be held liable for the administrative offense complained of and/or why the administrative fine should not be imposed. The notice shall include a copy of the administrative charge together with the supporting documents. When the charge involves the personal liability of a director, officer, employee or agent, a copy of the notice/charge shall be furnished the Office of the President/CEO of the bank.

(c) Within fifteen (15) days from receipt of the notice, the bank and/or any of its director(s), officer(s), employee(s) or agents charged with an administrative offense shall file with the AHC a verified answer and serve a copy thereof to the complaining witness, if any, attaching thereto certified true copies of all documentary and other evidence in support of its case.

(d) If a bank and/or any of its director(s), officer(s), employee(s) or agent(s) charged hereunder should fail to answer the administrative charge within the period allowed by the AHC, the latter shall issue an order declaring the respondent(s) in default. Thereafter, the AHC may proceed to receive evidence and render a report on its findings of facts and conclusions of law, with the appropriate recommendation to the Board of Directors of PDIC.

(e) Upon receipt of the verified answer and after evaluation of the evidence submitted by the parties, the AHC may either (1) render a report based on the evidence submitted by the parties; or (2) set the case for hearing for reception of evidence.

(f) The hearing referred to in the immediately preceding sub-paragraph may include: (1) admission or stipulation of facts and due execution and authenticity of documents; (2) simplification of issues; (3) identification and marking of

evidence; (4) cross-examination of affiant(s), if any; and (5) such other matters as may aid in the prompt and just resolution of the case. Any evidence not presented and identified during the hearing shall not be admitted in evidence. The AHC shall require the parties to simultaneously submit their respective position papers within a non-extendible period of thirty (30) days after the termination of the hearing referred to herein.

Section 9. Submission of the Case for Preparation of Report. – In cases falling under Section 8(e), the AHC shall issue an order within ten (10) days from receipt of the verified answer or after the lapse of the period within which to submit the position paper informing the parties that the case shall be deemed submitted for preparation of report.

Section 10. Report of the Administrative Hearing Committee. – The AHC shall render a report within sixty (60) days from the submission of the case for preparation of report under the immediately preceding section and submit the report to the Board of Directors of PDIC.

Section 11. Notice of the Decision of the Board. – The Board of Directors of PDIC through AHC shall notify the bank and/or any of its director(s), officer(s), employee(s) or agent(s) charged with an administrative offense and the complaining witness, where applicable, of the Decision of the Board of Directors of PDIC. The Monetary Board and/or the Governor of the Bangko Sentral ng Pilipinas, as the case may be, shall be furnished a copy of the Decision of the Board of Directors of PDIC whenever required under the PDIC Charter.

Section 12. Finality of Decision. – The Decision of the Board of Directors of PDIC shall become final and executory after fifteen (15) days from receipt thereof by the parties unless the aggrieved party(s) files a motion for reconsideration thereto.

Section 13. Motion for Reconsideration. – A motion for reconsideration shall only be entertained if filed with the Board of Directors of PDIC through the AHC within fifteen (15) days from receipt by the aggrieved party(s) of the Decision of the Board of Directors on any of the following grounds:

- (a) Discovery of new evidence which materially affects the decision; and
- (b) Errors of fact or law or irregularities have been committed prejudicial to the interest of the aggrieved party.

No second motion for reconsideration shall be entertained.

Section 14. Enforcement of the Administrative Fine.

- (a) The Decision of the Board of Directors shall be immediately executory unless the aggrieved party(s) posts a surety bond from a reputable bonding company acceptable to PDIC in double the amount of the fine imposed. In no case shall an appeal stay the immediate enforcement and satisfaction of the administrative fine unless otherwise restrained by the Court of Appeals or the Supreme Court in accordance with Section 22 of Republic Act No. 3591, as amended.
- (b) The payment of administrative fine must be made in manager's or cashier's check payable to PDIC and shall be sent by personal delivery or registered mail with return card addressed to the Treasury Department of PDIC.

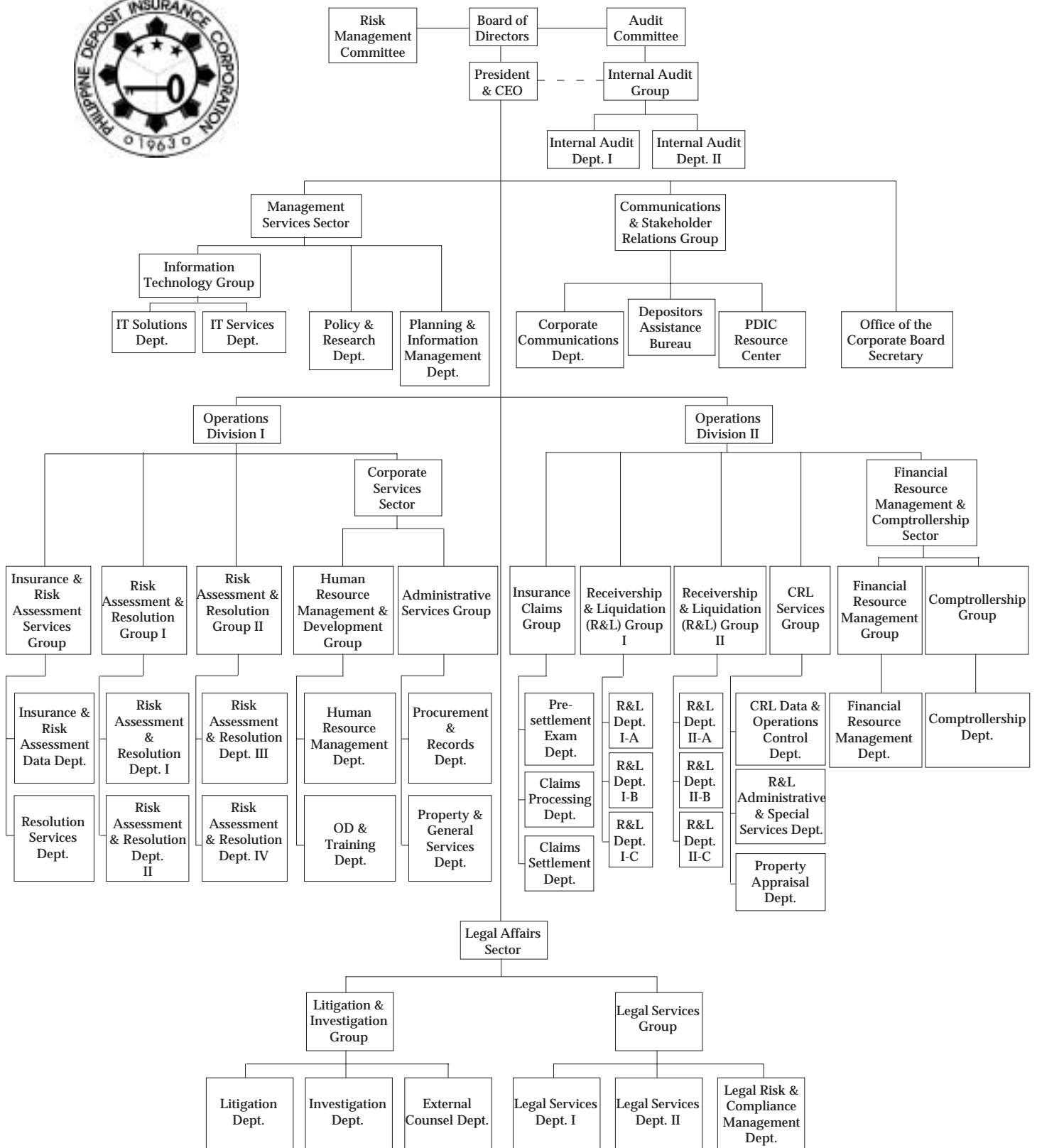
Section 15. Prohibited Motions/Pleadings. – The following pleadings, motions or petitions shall not be allowed in cases covered by this Regulatory Issuance:

- (a) Motion to Dismiss except on jurisdictional grounds;
- (b) Motion for Bill of Particulars;
- (c) Motion for New Trial;
- (d) Petition for Relief from Judgment;
- (e) Interventions;
- (f) Third Party Complaints; and
- (g) Any dilatory motions or pleadings.

Section 16. Separability Clause. – In the event of invalidity of any of the provision of this Regulatory Issuance, only the provision(s) so invalidated shall have no force and effect.

Section 17. Effectivity. – This Regulatory Issuance shall take effect fifteen (15) days after publication in a newspaper of general circulation.

Organizational Chart



PHILIPPINE DEPOSIT INSURANCE CORPORATION
Head Office: PDIC Bldg., 2228 Chino Roces Avenue, 1231 Makati City, Philippines
Extension Office: PDIC Extension Office, 6/F - 9/F SSS Building, Ayala Avenue
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Fax No: (632) 841-4637
Website: www.pdic.gov.ph
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