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PDIC FORUM

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A Semestral Publication
of the Philippine Deposit Insurance Corporation

Deposit Insurance: A Pillar in the Financial Safety Net

The Cover

The *net* represents protection and safeguard accorded to depositors who entrust their hard-earned money in banks. Deposit insurance is a recognized pillar of the financial safety net that helps promote public confidence in the banking system and mitigate stress in times of economic difficulties.

The interlocking weave of the *net* also signifies the partnership of the different financial safety net players - the Bangko Sentral ng Pilipinas, the central monetary authority, bank regulator and the lender of last resort; the Securities and Exchange Commission, the private corporate regulator, securities regulator and supervisor of non-bank financial intermediaries; the Office of the Insurance Commission, the regulator of insurance companies; and the PDIC, the state deposit insurer.

PRESIDENT'S MESSAGE

RICARDO M. TAN
President & Chief Executive Officer
Philippine Deposit Insurance Corporation

This is a significant moment for PDIC. This is the birth of the **PDIC Forum**.

Neither another publication nor a technical print medium that plainly presents facts and figures, the **PDIC Forum** *ushers in a world of varied insights on financial stability and depositor protection.*

We have always believed that with information-sharing and knowledge-producing mechanism in place, we enhance public awareness of the roles of the financial system safety net players and promote public confidence. Thus, with adequate information duly disseminated, the safety net can work more effectively.

The **PDIC Forum** *is a convergence of varied views and ideas, insights and opinions; and a venue for meaningful as well as analytical and critical discussions of significant issues and concerns relevant to banking and the financial system.*

The periodical also seeks to highlight PDIC's role in the banking system as an important component of the financial system safety net. Because Filipino small depositors employ less sophisticated information-gathering tools, **PDIC Forum** *purports to bridge the gap between statistical data and vital information in layman's language. Likewise,* **PDIC Forum** *aims to inform, enlighten, and educate the public.*

The **PDIC Forum** *will maintain a proactive, independent and objective stand to cater to the information needs of its target publics, specifically member-banks, the financial community, concerned government institutions, analysts, the academe and other deposit insurance agencies. It is committed to pursue measures and advocacies toward meaningful reforms, particularly to promote stability in the banking system and further the mission of depositor protection. It shall present banking industry data focused mainly on deposits.*

For this maiden issue, we have chosen a well-respected luminary in the field of banking and finance, the Honorable ***Cesar E. A. Virata,*** *who is currently the President of the Bankers Association of the Philippines, for* ***Straight Talk****.*

Another interesting feature is the ***Guidance for Developing an Effective Deposit Insurance System*** *as developed by the Financial Stability Forum providing a simple roadmap for deposit insurers in exploring means of enhancing effectiveness.*

In fitting celebration of 40 years of depositor protection, Her Excellency, President Gloria Macapagal-Arroyo declared June 16-22 every year as the Depositor Protection and Awareness Week, further stressing the importance of depositor confidence in the banking system.

Join us in the celebration of depositor protection. Welcome to the **PDIC Forum***.*

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Deposit Insurance: Fulfilling its role in the financial system safety net

Introduction

Banking institutions play an important role in the economy. They facilitate the financial intermediation between savers and borrowers. They accept short-term deposits and extend medium-term loans. This intermediary role exposes banks to liquidity risk, more than any other business.

Given the fiduciary nature of banking business, banks are exposed to the risk of runs should there be loss of confidence in the bank itself or in the banking system as a whole. If not managed well, these runs could even lead to costly failures.

Cognizant of the impact of bank failures on bank clients and the financial system, the country's financial safety net is designed to protect depositors, creditors and investors in financial institutions.

Deposit insurance provided by the Philippine Deposit Insurance Corporation (PDIC) is a major component of the country's financial system safety net which complements the supervisory functions of the Bangko Sentral ng Pilipinas (BSP), the Securities and Exchange Commission (SEC), and the Office of the Insurance Commission (OIC).

Deposit insurance complements the country's financial safety net provided by BSP, SEC and OIC.

Role of deposit insurance

The main objective of deposit insurance is to protect the small depositors who are least able to protect themselves. These are depositors who usually do not have access to critical information on bank condition or do not have the capability to assess the condition of their banks that would otherwise affect their decision to make deposit. Deposit insurance guarantees that depositors will not lose their insured funds to the extent of the maximum insurance cover, if a bank is ordered closed by the Monetary Board.

By increasing depositor confidence, deposit insurance contributes to the promotion of stability in the banking system. The PDIC, like other deposit insurers, may directly intervene to prevent bank closures by providing financial assistance to distressed banks in order to maintain a stable banking system. In all cases, however, the cost of financial assistance shall not be more than the estimated cost of closure.

Rationale for deposit insurance in the Philippines

The PDIC was established on 22 June 1963 through Republic Act (RA) No. 3591 to protect depositors of banks and promote savings to accelerate economic growth. It was a proactive legislation to encourage savings from small depositors. Unlike in other countries with formal deposit insurance system, PDIC was not created in response to a banking crisis.

The basic features of the deposit insurance system underwent a series of changes, namely:

Table 1: SELECTED DEPOSIT DATA
For Banks Closed 1993-2002
Amounts in Million Pesos

YEAR	NO. OF BANKS CLOSED	INSURED DEPOSITS (ID)		INSURED DEPOSITS PAID (IDP)		RATIOS (IDP/ID)	
		ACCOUNTS	AMOUNTS	ACCOUNTS	AMOUNTS	ACCOUNTS	AMOUNTS
1993	5	10,842	38.09	2,948	27.51	27.19%	72.23%
1994	16	37,400	98.59	10,254	56.65	27.42%	57.46%
1995	9	12,018	46.67	4,527	38.17	37.67%	81.80%
1996	6	9,469	67.09	3,682	47.50	38.88%	70.80%
1997	14	19,925	146.80	5,855	100.07	29.39%	68.07%
1998	40	163,156	2,506.47	71,605	2,174.87	43.89%	86.77%
1999	33	240,455	3,511.22	95,712	3,293.29	39.80%	93.79%
2000	24	168,629	3,385.17	73,334	3,044.86	43.49%	89.95%
2001	18	93,796	738.84	26,368	631.63	28.11%	85.49%
2002	13	55,914	749.94	23,487	62.35	42.01%	82.85%
TOTAL	178	811,604	11,288.89	317,772	10,035.91	39.15%	88.90%

Source: Data Department, PDIC

- Bank membership was initially optional but made compulsory in 1969 to attain a system-wide impact and eliminate the risk of adverse selection[1].
- The maximum deposit nsurance coverage was set at P10,000 per depositor in 1963 but was adjusted thrice up to P100,000 in 1992 to cope with inflation and increasing real incomes.
- The Permanent Insurance Fund (PIF) was established at P5.0 million in 1963 and increased thrice up to the current P3.0 billion to strengthen PDIC's capital position.
- Assessment rates were raised three times from 1/18 of 1% of assessable deposits in 1970 to 1/5 of 1% of total deposits in 1992 to build up the insurance fund.

The closure of 172 banks from 1984 to 1990 highlighted the need for PDIC to respond to changes in the banking environment. By virtue of R.A. No. 7400 in 1992, PDIC became the mandatory receiver and liquidator of closed banks. The transfer of receivership and liquidation function to PDIC relieved the Central Bank of the Philippines of functions not germane to monetary policy and banking supervision. Also, R.A. 7400 strengthened the role of PDIC by vesting it with authority to conduct independent examination of banks with maximum use of available reports and information from the BSP.

Unlike in other countries with formal deposit insurance system, PDIC was not created in response to a banking crisis.

Performance as a financial safety net player

Based on available data from 1993 to 2002, 178 banks were ordered closed by the Monetary Board and placed under PDIC receivership and liquidation. These banks held P11.3 billion of insured deposits based on

[1] *Adverse selection occurs when weak banks join the deposit insurance system under a voluntary membership scheme. Strong banks do not see themselves failing nor immediately benefitting from the system, thus, the reluctance to apply for membership and share in the cost of building the insurance fund. With limited membership, the insurance fund is highly at risk to predominantly weak members and will not be able to build up sufficient fund to generate confidence in the deposit insurance system.*

the current P100,000 cover corresponding to 811,604 accounts. As of 2002, depositors in these closed banks, comprising 39.2% of total insured deposit accounts have claimed 88.9% of total amount of insured deposits. Most unclaimed accounts were either dormant for some time or had very small balances.

The continuing efforts to streamline operations towards expeditious settlement of claims reaped benefits over the years. The average number of days to start payouts from date of closure has improved from 289 calendar days in 1993 to 41 calendar days in 2002. Prompt payment of insured deposit claims is necessary to maintain depositor confidence in the system and to arrest possible contagion effects of closure.

Deposit payout is hastened and conducted smoothly when deposit records are kept orderly and updated. However, PDIC is allowed access to deposit records only upon takeover of the closed bank because the Law on Secrecy of Bank Deposits prohibits the examination of deposits even by the deposit insurer. PDIC usually finds the records of the closed bank in poor condition, incomplete and not updated, thus, requiring lengthy verification of records resulting to delayed processing and settlement of claims.

For the period 1993-2002, PDIC helped resolve bank problems through financial assistance (FA) in close coordination with BSP. The financial assistance extended to 15 banks during this period protected approximately 4.2 million deposit account holders with an aggregate insured deposit base of P73.0 billion.

Proposed deposit insurance reforms

With the increased deposit balances, fully insured deposit accounts have decreased to 91.4% of total deposit accounts in 2003 from 96.6% in 1992. To enhance depositor protection, PDIC has proposed to Congress the increase in the maximum deposit insurance coverage from P100,000 to P200,000 *(See related article on page 12.)*

PDIC has also proposed the restoration of its authority to examine banks particularly those posing high risks to the deposit insurance fund within a coordinated framework with the BSP. The restoration of such authority will strengthen PDIC's insurance risk assessment capability, i.e., to conduct onsite examination of bank operations and thereby validate reports submitted by member banks. With the examination findings, PDIC can recommend to the Monetary Board prompt corrective actions to address bank problems.

Further, PDIC has sought authority to look for a qualified investor to acquire control of, merge or consolidate with or acquire the assets of an undercapitalized bank to facilitate its rehabilitation process subject to approval by the Monetary Board. Notwithstanding the provisions of the Corporation Code, this authority will supersede the preferential rights of stockholders of the distressed bank.

Conclusion

PDIC continues to be vigilant in protecting depositors and in facing emerging issues and risks affecting depositors and the deposit insurance fund. More importantly, PDIC remains committed to pursue needed reforms towards enhancing its services to stakeholders through improved corporate governance, greater accountability and more transparency.

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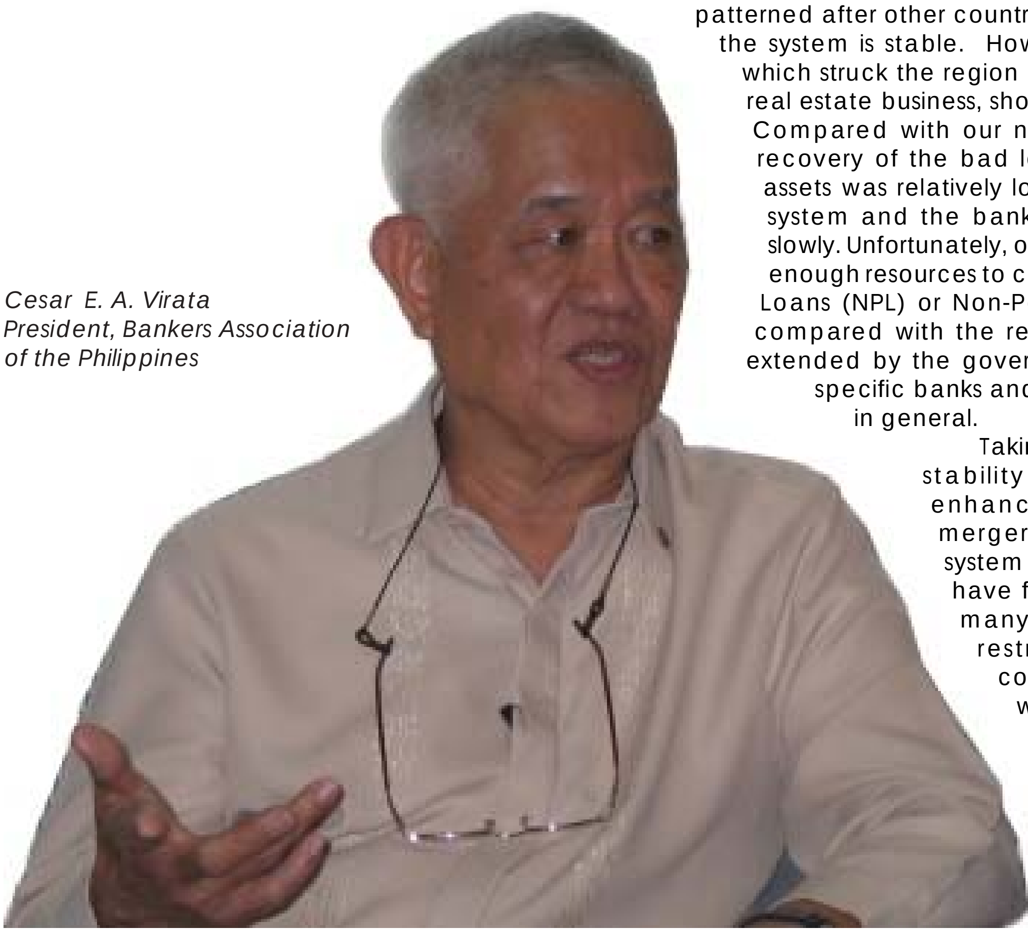
Virata shares his views on financial stability

Forum: The central theme of the maiden issue is the major role of PDIC as a pillar in the financial safety net in helping promote a sound banking system. How do you assess the stability of the financial system?

Cesar Virata: Many Filipinos and Asians believe in the banking system as affirmed by statistics on deposit composition of banks, where approximately 60% to 75% of the populace have deposits in banks. This evidently manifests confidence in the banking system. Depositors rely on banks for safekeeping because they follow good practices and provide good services to the depositing public. An addition to this is the presence of a supervisory agency and the introduction of deposit insurance system patterned after other countries. So, I think by and large, the system is stable. However, the economic crisis which struck the region and the over investment in real estate business, shook our economic balance. Compared with our neighboring countries, the recovery of the bad loans and the repossessed assets was relatively low. For the time being, the system and the banks were able to reposition slowly. Unfortunately, our government did not have enough resources to cover for the Non-Performing Loans (NPL) or Non-Performing Assets (NPA) as compared with the region. Financial assistance extended by the government was limited only to specific banks and not to the banking system in general.



Cesar E. A. Virata
President, Bankers Association of the Philippines

Taking a different scenario, the stability has been somehow enhanced via acquisitions and mergers. But there exists now a system in the Philippines where you have few large banks and still so many smaller banks. As far as restructuring the banks is concerned, again compared with the region, we are behind in reducing the number of banking units. But I think the system is improving because the amount of provisioning is increasing. For 2002 and 2003, the banks returned to profitability. As a result, the capital base also improved. The new regulation allowing banks to issue capital notes or subordinated notes helped in balancing the maturities between the assets and the liabilities.

There are new rules on risk management and corporate governance; and there will be more rules that are forthcoming. Therefore, there are more safeguards that will make the system even more stable.

Forum: How has the Special Purpose Vehicle (SPV) been effective in helping achieve financial stability?

CV: The SPV was enacted into law this year and the regulations have just been issued recently. But the discounts being asked by the buyers of NPAs are deep. Thus, it has not really put a dent into the reduction of NPAs. I hope this law will be re-evaluated to make it more effective in reducing the NPAs. If the economy will grow at a fast rate - that is, if additional investments enter the market, then, definitely property values will improve and consequently discount level will be reduced. With considerable market volatility, investors fear they may not be able to dispose the inventory to other parties – the ultimate buyer. Secondly, foreign companies are limited in buying property because of our constitutional restrictions. Unlike in other jurisdictions where there is more flexibility.

Forum: What are the critical elements that constitute financial stability?

CV: You have stability every time there is more growth. Because the chances of having NPLs are less, the values of property will improve, people will have more earnings because they are employed. To me, the macro situation is very important and the macro environment will improve if we have new investments. However, most investments coming in are largely in the service industry like the "call center" and the

"backroom," not so much in the production side. The bleak market condition and the downgraded outlook on our economy because of the fiscal situation prevent investors from coming in. Even then, I remain hopeful in our financial outlook - that tax collection and tax administration will improve and budget deficit will be reduced.

Forum: What do you think are the pressing reforms needed for financial stability?

CV: In the forefront of reforms right now are the regulators. There is Basel 1 and the forthcoming Basel 2 which require greater attention to all kinds of risks. When you have a good appreciation for risks, it requires capital and therefore, capital adequacy is an important component. The other aspect is transparency of operations. These are the pillars of reforms, that you must have good corporate governance - the board must set the direction of the bank. They must perform oversight functions. The management of the day to day operations of the bank must be relegated to the management.

On the other hand, the changes in technology and communications also introduce another set of reforms. The adoption of newer technologies in order to give better services and a wider range of financial products has been very expensive. Many of our banks cannot afford to have technological improvements because we lack size. It is not only a question of computational ability but you must have reliable communication and datalines. In terms of networking in the Philippines, you cannot totally computerize if your communication links are weak. There have been improvements in communication because of wireless technology but the wireless system is not as effective as fiber optics when it comes to data transmission. Wireless technology is affected by weather disturbances.

Our big banks are still small. In the listing of Asian regional banks, the largest banks in the Philippines are somewhere below. You can see the advantage of the bigger banks relative to the technology and competitiveness because their unit cost is much lower in giving quality banking services. Increase in minimum capital has been provided for. It is good that for 2002 and 2003, the return on equity has increased. But from 1999 to 2001, when banks earned 2%-3%, nobody would invest. Consequently, our capital market did not favor banking stocks. This is also a phenomenon in other markets. Due to the 1997 crisis, banking stocks were not a favorite.

Right now, the issue is subordinated notes or capital notes because our capital market has very few Initial Public Offerings (IPOs) or Additional Public Offerings (APOs). For those already listed, it is no longer an initial but just additional public offering. These are the weaknesses of our own financial system.

Forum: **How does the recent move to enhance corporate governance affect financial stability?**

CV: As far as banking industry is concerned, we lead in practicing corporate governance because of BSP's regulatory requirements. This includes enrolment in a course for prospective bank directors. You must be certified and qualified, fit and proper director of a bank. You cannot just be a banker if you have not passed the standards of a fit and proper official or director. Compared with other sectors of our corporate citizenship, I believe that the banking sector is ahead in following these regulations. Given its fiduciary function and by its nature, financial institutions are highly leveraged, we ensure that the money of depositors and creditors are well taken care of; that we perform sound banking practices. Banking is regulated. In fact, we are closely regulated because of our fiduciary functions. With respect to problem institutions, we follow the Securities and Exchange Commission and the Corporate Recovery Act. There is a feeling that greater protection is accorded to either the borrowers or the owners than creditors. And we would like to balance these rights. Because sometimes you have a stop payment, then SEC appoints a receiver and it takes time to settle the issues.

Forum: **What is your view on PDIC's proposal to increase the maximum deposit insurance cover?**

CV: We know that the legislation you are pushing for calls for an increase in insurance coverage to P200,000. In the case of RCBC, 94% of our depositors are covered by the P100,00 insurance. Increasing coverage to P200,00, our bank will probably fully cover 98%.

As far as BAP is concerned, we support the increase up to only P200,000 because there is a very large potential scam as you increase the insurance coverage. Based on my own experience, when the MDIC was increased from P40,000 to P100,000, scams already developed, whereby relatively small, weak banks issued certificates of deposit up to P100,000 at much higher interest rates compared to commercial banks. People deposited in these banks despite risk of failure because their deposits were fully insured by PDIC. Now, as you increase it, better be ahead of the game.

The scam is not necessarily on very high interest rates but what happens after deposits have been placed. Then the owner/officer of the bank leaves the country bringing the deposits. So what happens to the deposit money? That is the risk, the hazards, so the other banks don't like to pay for that loss in terms of high premium.

The only thing I'm saying is just be prepared with your monitoring operation as to who is offering abnormal rates way beyond what you may call normal, competitive rates. It is likely that if they don't abscond, they will lend to weak companies willing to pay higher loan rates. When the deposit cost is high, therefore they will have to lend at higher rates to struggling companies.

Forum: **What about your views on the restoration of PDIC's examination powers in coordination with BSP?**

CV: We have no objections if you get back your examination powers. The request of the banking system is for AMLAC, BSP and PDIC to closely coordinate their examination mandate because banks are required to submit computer reports. For instance, SEC requires a report on banks and its subsidiaries. Now, BSP with a change in regulation requires consolidated reports including its subsidiaries, affiliates, sister companies and even distant cousins. So you have a very wide reporting scheme. On the other hand, AMLAC requires that anything above P500,000 in transactions during the day have to be reported under the new law.

Forum: **What do you think are the areas for improvement in the system?**

CV: I suppose the development of rating agencies will ensure fair market play.

Forum: What sort of rating agencies are these?

CV: Right now, you have various international rating agencies like the S&P, Moody's, Fitch and the Japanese rating agencies. Here in the Philippines, rating is still underdeveloped. We have rating agencies here that rate instruments only at the time it is being issued. But there is no subsequent follow-up of the rating of the company. Eventually, we hope it would become the market norm and we can move towards that direction. Right now, the BAP maintains only a negative list for credit card receivables. There are so many who don't pay their credit card liabilities. So we maintain a negative credit file. We share this to those who subscribe to the service. But the problem is we don't have a positive credit file. Nobody would like to contribute to a positive credit file. We informed BSP that if you really like to develop a rating agency here, you have to mandate the submission of the positive credit information.

Forum: **Bigger companies are also rated internationally.**

CV: Well, once you have international transactions, your correspondent banks will require that because they cover the entire world and they have no basis except subscribing to these rating companies.

Forum: **What is your view on a consolidated supervisory institution?**

CV: You know that the monetary authority to us is the BSP. It is the main institution as far as banks are concerned. Now, there has always been some mention about a consolidated supervisory agency. The trend in the world is a consolidated supervisory agency, that of Great Britain, Japan, Malaysia, Singapore.

The only thing I'm saying is just be prepared with your monitoring operation as to who is offering abnormal rates way beyond what you may call normal, competitive rates.

Forum: **May we have your view on how PDIC can better help promote confidence in the banking system?**

CV: I suppose when PDIC obtains its power to examine directly, you will be able to get more information about the banks and their depositors. Usually, the settlement of insurance claims is delayed due to late generation of depositors lists. I do not know whether depositors themselves will waive secrecy of their deposits to PDIC to the extent that the deposit is insured. Every PDIC decal in banks that says "This bank is a member of PDIC and your deposits are insured up to P100,000." is a good reminder that these hard-earned deposits are insured. Because of this, there is a need for PDIC to better manage its resources in order to meet the needs of depositors in case there are claims when a bank closes.

Currently President of the Bankers Association of the Philippines, former Finance and Prime Minister Cesar E. A. Virata is also the Corporate Vice-Chairman and CEO of Rizal Commercial Banking Corporation and concurrently holds key positions in various public and private corporations and organizations.

His experience and expertise include debt management, policy reforms and financial management. As a member of the Monetary Board of the Central Bank of the Philippines during his tenure as Finance Minister, he was involved in initiating reforms in the banking and monetary policies in the country. He was a consultant for the World Bank study on the Highly Indebted Middle Income Countries and was instrumental in the unification of stock exchanges in the Philippines.

A former faculty and Dean of the University of the Philippines College of Business Administration, Mr. Virata was a cum laude graduate of UP with a degree in business administration. He also has a bachelor's degree in mechanical engineering from the same university. A holder of a number of honorary degrees, Mr. Virata completed his MBA, major in industrial management, from the University of Pennsylvania.

Chairman and President of C. Virata and Associates, Inc., Mr. Virata is a listed expert of the UN Institute for Training and Research (UNITAR), which conducts training and capability-building programs in legal aspects of debt, financial management and negotiation.

__STRAIGHT TALK__ features a key personality in the field of banking, finance, and business.

Increasing deposit insurance coverage: rationale and implications

The maximum deposit insurance cover (MDIC) is the ceiling for the amount of deposits per depositor in a bank guaranteed by the PDIC in case of bank closure. In 1963, the PDIC Charter set the MDIC at P10,000 per depositor. Subsequent amendments raised the MDIC to P15,000 in 1978, P40,000 in 1984 and P100,000 in 1992.

The series of bank closures since the 1997 regional financial crisis has affected thousands of depositors who have been unable to get back their deposits in excess of P100,000. In response, various legislative proposals were filed to increase the MDIC ranging from P200,000 to P1,000,000 including a proposal for partial coverage of deposits over P100,000[1].

PDIC proposal at P200,000

The establishment of a deposit insurance system is rationalized on social policy grounds to provide a safety net for small depositors who have less resources and often have limited knowledge and access to information on the condition of banks.

PDIC conducted an analysis of alternative amounts of proposed MDIC that will provide adequate protection to depositors. The results showed that setting the new ceiling at P200,000 per depositor is reasonable based on economic criteria and international practices, and feasible given available resources and tools for insurance risk management.

In line with international practices, the MDIC is adjusted to cope with changes in purchasing power and incomes in real terms. Since the last adjustment of MDIC in 1992, the purchasing power of the peso was eroded by 89.9%. Likewise, the peso depreciated against the US

Table 1
COMPARISON OF MDIC ALTERNATIVES
Adjusted at 1992 Prices (Peso & Dollar Equivalents)

YEAR	MDIC (in P)	MDIC at 1992 Prices	$ Equiv. of MDIC Based on Annual Ave. P/$ Rate
1969	10,000	209,644	2,551
1978	15,000	93,851	2,036
1984	40,000	92,053	2,395
1992	**100,000**	**100,000**	**3,920**
1993	100,000	93,390	3,687
1994	100,000	87,600	3,785
1995	100,000	81,262	3,889
1996	100,000	75,976	3,815
1997	100,000	70,249	3,393
1998	100,000	64,035	2,445
1999	100,000	60,041	2,558
2000	100,000	57,518	2,263
2001	100,000	54,208	1,961
2002	100,000	52,578	1,938
June 2003			
Current	**100,000**	**51,352**	**1,869**
Proposals:	200,000	102,704	3,738
	300,000	154,056	5,607
	400,000	205,408	7,477
	500,000	256,760	9,346

Sources of basic data: PDIC, NSCB and BSP

[1] In the proposed scheme, full cover will be provided to deposits up to P100,000; 75% coverage for deposits in excess of P100,000 but less than P250,000; and 50% coverage for deposits in excess of P250,000.

dollar by 99.3%. The proposed cover at P200,000 approximates the value of the current MDIC based on 1992 prices (Table 1).

Moral hazard

The increase in MDIC aggravates moral hazard for the depositors, bank owners, and regulators as well. Moral hazard in this case is the incentive created by deposit insurance that induces the depositors to undertake greater risk than if they were uninsured because the risk of loss is passed on to PDIC. A high level of insurance cover would lessen incentives for big depositors to ascertain the condition of banks. Unsophisticated depositors will choose to place their money in those banks that pay the highest interest rates without consideration to the risk of bank failure.

On the other hand, bankers that are threatened by insolvency are likely to undertake riskier investments with depositors' funds, which are protected anyway by deposit insurance.

Also, deposit insurance creates moral hazard for regulators, since they have the tendency to forbear problems of the banks rather than promptly resolving them, including through bank closure and to arrest further deterioration of assets for the protection of depositors and creditors of the bank.

The higher the insurance cover, the higher the moral hazard. On the other hand, the absence of a deposit insurance does not mean that there is no moral hazard, as government may resort to bail out banks to avoid systemic crisis brought about by widespread loss of depositor confidence in the system. In some countries without formal Deposit Insurance System (DIS), government fully reimburses depositors of their deposits in closed banks.

Thus, in adopting the P200,000 MDIC instead of the higher alternatives, PDIC seeks to minimize moral hazard.

Impact of PDIC proposal

The proposed MDIC at P200,000 per depositor is deemed more than adequate to provide full protection to the average size of deposit

Table 2
MAXIMUM DEPOSIT INSURANCE COVER (MDIC) AND LEVEL OF INSURED DEPOSITS

YEAR	MDIC (in P)	Deposit Accounts (Thousands)			Deposit Amounts (Million Pesos)		
		Fully Insured Accounts (FIA)	Total Accounts (TA)	FIA/TA (in %)	Insured Deposits (ID)	Total Deposits (TD)	ID/TD (in %)
1992	**100,000**	**17,331**	**17,940**	**96.60**	**179,659**	**492,235**	**36.50**
1993	100,000	17,373	18,108	95.94	188,823	638,166	29.59
1994	100,000	19,189	20,108	95.43	220,771	797,965	27.67
1995	100,000	19,434	20,513	94.74	248,934	1,011,761	24.60
1996	100,000	19,612	20,829	94.16	267,285	1,283,200	20.83
1997	100,000	21,462	23,010	93.28	315,135	1,655,216	19.04
1998	100,000	22,213	23,885	93.00	364,453	1,735,669	21.00
1999	100,000	22,232	24,132	92.13	349,409	1,896,132	18.43
2000	100,000	22,579	24,535	92.03	383,329	2,070,939	18.51
2001	100,000	24,420	26,528	92.05	417,529	2,188,150	19.08
2002	100,000	24,852	27,137	91.58	445,852	2,339,538	19.06
June 2003							
Current	**100,000**	**23,943**	**26,204**	**91.37**	**442,082**	**2,377,376**	**18.60**
Proposals;	200,000	24,864	26,204	94.89	607,946	2,377,376	25.57
	300,000[1]	25,289	26,204	96.51	763,988	2,377,376	32.14
	400,000[1]	25,392	26,204	96.90	881,859	2,377,376	37.09
	500,000[1]	25,472	26,204	97.21	975,791	2,377,376	41.04

[1] *Preliminary estimates based on the deposit distribution structure of respondent banks to PDIC survey.*

Source of basic data: PDIC

[2] *Average size of deposit balances = [Total Deposits/Total Number of Accounts]*

balances[2] in all bank types. The average deposit balances as of June 2003 in commercial banks is P114,576, thrift banks is P66,578 and rural banks is P11,219.

Since 1992, the percentage of total deposits covered by the P100,000 insurance, both in terms of amount and number of accounts, has significantly declined as a result of increasing deposit balances. The number of deposit accounts that have balances at P100,000 and below declined from 96.6% of total deposit accounts in 1992 to only 91.6% in 2002, while the amount of insured deposits decreased from 36.5% of total deposits in 1992 to only 19.1% in 2002 (Table 2).

The MDIC proposal extends full insurance coverage to 94.9% of deposit accounts in the system. This also insures 25.6% of deposit amounts in the banking system equivalent to P608 billion. Deposits of small depositors, generally placed in thrift and rural banks, will be almost fully covered with 99.2% of deposit accounts in rural banks becoming fully insured and 94.7% of deposit accounts in thrift banks (Table 3). Raising MDIC to levels higher than P200,000 will bring about only marginal increases in percentage of fully insured accounts.

As the insured deposit base expands, more insurance reserves are required to ensure the capacity of the Corporation to meet its potential obligations. Nonetheless, PDIC does not propose an increase in the assessment rate levied on banks but seeks to enhance risk management capabilities mainly through the grant of authority to examine banks.

Raising MDIC to levels higher than P200,000 will bring about only marginal increases in percentage of fully insured accounts.

Table 3
MDIC ALTERNATIVES AND LEVEL OF INSURED DEPOSITS BY BANK TYPE
Data as of June 2003

Item by Bank type	Present MDIC	Proposed MDIC Levels			
	100,000	200,000	300,000	400,000	500,000
Fully Insured Deposit Accounts					
(in % to Total Accounts)					
Banking System	91.37%	94.89%	96.51%	96.90%	97.21%
Commercial Banks	89.79%	93.81%	95.86%	96.26%	96.60%
Thrift Banks	90.92%	94.72%	96.11%	96.84%	97.27%
Rural Banks	97.76%	99.15%	99.26%	99.44%	99.55%
Total Insured Deposit Amounts					
(in % to Total Deposits)					
Banking System	18.60%	25.57%	32.14%	37.09%	41.04%
Commercial Banks	16.77%	23.41%	29.86%	34.81%	38.74%
Thrift Banks	27.27%	37.00%	44.44%	49.54%	53.82%
Rural Banks	59.34%	70.12%	78.46%	83.21%	86.93%

[1] Insured deposit coverages at MDIC greater than P200,000 are preliminary estimates based on the deposit distribution structure of respondent banks to PDIC survey.

Source of basic data: PDIC

WHAT IS THE IDEAL AMOUNT OF DEPOSIT INSURANCE COVERAGE?

Ms. Gillian Garcia of Monetary and Exchange Affairs of the International Monetary Fund (IMF) recommends that the aggregate amount of coverage offered to each depositor in any bank should be relatively low. As a starting point, coverage could be considered in the region of one or two times per capita GDP, but the limit may be set with more precision by examining the distribution of deposits by size. Within this distribution, the limit should be set to cover the majority of the total number of deposits (say, 80 to 90 percent of the number of deposits), but only a smaller percentage of the total value of deposits (say, 20 percent of the value of all deposits). Each country should conduct a careful assessment of the level of coverage that will strike a balance between discouraging destabilizing runs by small depositors while retaining market discipline from larger depositors. The country may also set its coverage level with a view to maintaining the international competitiveness of its banks.[1]

In terms of the MDIC to per capita GDP ratio of selected countries, the country's current MDIC of P100,000 is already at 2.1x per capita GDP in 2002, at P200,000 MDIC, the ratio will almost double to 4.1x per capita GDP. In a list of countries with MDIC to per GDP ratio higher than two, the country will move from the bottom-half to the middle part of the list.

As of June 2003, the number of accounts covered will increase from 91.4% to 94.9% with the amount of insured deposits covered from 18.6% to 25.6% (see Table 3 on page 14).

The proposed P200,000 MDIC thus meets the rule of thumb recommended by Ms. Garcia in her paper.

COMPARISON OF MDIC and GDP PER CAPITA[1]
Selected Countries[2] 2002

Country with Deposit Insurance	MDIC (in US$)	GDP Per Capita (in US $)	MDIC/ GDP Per Capita (in %)
Peru	24,344	2,112	11.53
Honduras	8,479	983	8.63
Oman	71,476	8,300	8.61
Uganda	2,173	257	8.46
Norway	350,386	42,000	8.34
Bangladesh	2,443	327	7.47
India	2,824	466	6.06
Dominican Republic	14,526	2,464	5.89
Brazil	14,347	2,570	5.58
Italy	101,170	20,381	4.96
PHILIPPINES 3	**3,876**	**943**	**4.11**
Morocco	4,659	1,258	3.70
Argentina	9,789	2,821	3.47
Kenya	1,287	379	3.40
Bahamas[4]	50,000	15,542	3.22
Colombia	5,612	1,860	3.02
El Salvador	6,284	2,188	2.87
Macedonia	5,204	1,850	2.81
United States	100,000	35,886	2.79
France	58,890	24,161	2.44
Taiwan[4]	28,670	12,301	2.33

[1] Gross domestic product at nominal prices

[2] Countries with deposit insurance systems and with a ratio of MDIC to GOP per capita of greater than 2.0

[3] MDIC at proposed level of P200,000

[4] MDIC and GDP per capita as of 2001

Sources of basic data: International Financial Statistics 2003; SEDESA 2002; and Taiwan Central Bank and Deposit Insurance Corp.

References:

Financial Stability Forum (FSF). "Guidance for Developing Effective Deposit Insurance Systems" (2001).

Garcia, Gillian G. H. "Deposit Insurance: Actual and Good Practices", Occasional Paper No. 197, International Monetary Fund (2000).

_____________."Deposit Insurance: Obtaining the Benefits and Avoiding the Pitfalls", IMF Working Paper, August 1996.

June 16-22 is Depositor Protection and Awareness Week

Her Excellency President Gloria Macapagal-Arroyo declared June 16 to 22 this year and every year thereafter as Depositor Protection and Awareness Week.

The issuance contained in Proclamation No. 358 aims to further strengthen depositor confidence in the country's banking system to complement the government's thrust of sustaining economic growth.

Coinciding with the Philippine Deposit Insurance Corporation's celebration of its 40th anniversary on June 22, President Arroyo directed to provide greater significance to the event by spearheading activities with other government agencies, the private sector and the banking community to promote depositor protection and awareness.

The proclamation recognized the need to educate and pursue the protection of small, unsophisticated depositors. Moreover, protecting depositor interest is deemed crucial in attaining genuine and meaningful reforms in the banking system.

The annual celebration will give greater impetus to the government's savings mobilization campaign.

MALACAÑANG
Manila

BY THE PRESIDENT OF THE PHILIPPINES

PROCLAMATION NO. 358

DECLARING JUNE 16-22 OF EVERY YEAR AS "DEPOSITOR PROTECTION AND AWARENESS WEEK"

WHEREAS, it is for the national interest that the government's saving mobilization campaign, underlined by Presidential Proclamation No. 380, otherwise known as *Savings Consciousness Week* be given greater impetus by highlighting depositor protection and awareness;

WHEREAS, the government further recognizes the need to strengthen and vigorously pursue the protection of small, unsophisticated depositors as a vital factor in enhancing stability of the banking system to complement the government's thrust and the Filipino vision of sustained economic growth and development;

WHEREAS, the Philippine Deposit Insurance Corporation (PDIC), in celebrating its 40th founding anniversary on June 22, shall focus on the relevance and importance of its mandate of depositor protection to provide greater significance to the event;

WHEREAS, the move towards meaningful reforms in the banking industry can be genuinely attained thru enhanced depositor protection, given the increasing importance of an enlightened and empowered depositing public in the collective efforts to sustain confidence in the banking system;

WHEREAS, to effectively impart this awareness, it is imperative to wage and institute a continuing, nationwide campaign that will include all sectors of society, as well as all levels and instrumentalities of the government.

NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby declare June 16-22 of every year as *"DEPOSITOR PROTECTION AND AWARENESS WEEK"*.

For this purpose, the Secretary of Finance, Secretary of Education, Secretary of the Interior and Local Government, Director General of the National Economic and Development Authority, the Governor of the Bangko Sentral ng Pilipinas, the President of the Philippine Deposit Insurance Corporation as well as all heads of Departments, Bureaus, Offices, Agencies, and Instrumentalities of the Government, Local Government Units of all levels, and Government-Owned and Controlled Corporations are hereby directed to undertake activities in accordance with the merit of this proclamation.

The Bankers Association of the Philippines, Chamber of Thrift Banks, Rural Bankers Association of the Philippines, Bankers Institute of the Philippines, Bank Marketing Association of the Philippines, Financial Executives Institute of the Philippines; and all members of the mass media, civic and commercial associations and non-governmental organizations as well as the citizenry are hereby requested to extend their full support and cooperation in this campaign.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Republic of the Philippines to be affixed.

Done in the City of Manila, this 4th day of April in the year of Our Lord, two thousand and three.

By the President:

ALBERTO G. ROMULO
Executive Secretary

PDIC celebrates 40th anniversary

Sustaining a culture of professionalism, integrity and hardwork

Our 40th milestone is a day for jubilation and celebration. But it also poses an immense challenge to our management and workforce. We should stay vigilant in pursuing the corporate vision and should nurture achievements we have attained thus far.

I am pleased to inform everyone that the PDIC, in pursuit of its mission and mandate, posted modest gains and achievements while sustaining a corporate culture adhering to the highest degree of professionalism, integrity and hard work.

Allow me to report to the Executive Secretary, who represents Her Excellency President Gloria Macapagal Arroyo, and our stakeholders our accomplishments and aspirations in pursuit of President Arroyo's administration's vision of sustained economic development for a strong and stable Republic.

Our flagship functions and services emanate from depositor protection, the heart of our corporate operations. For quite many years now, the Corporation has vigorously sought to reduce our turnaround time for insurance claims servicing. Innovations have been introduced in the early 90's toward this end, which resulted in drastically reducing previous average turnaround time of 9 months, to the current 41 days for banks with insufficient records and only 31 days for those with sufficient records.

More importantly, we have improved the ratio of depositor claims to insured. Many small depositors opted not to file their claims in the past, representing about three fourths of the total number of insured accounts corresponding to a fourth of the amount of total insured deposits in closed banks. They are the smallest of our depositors.

To date, the PDIC has paid P13.2 billion or 90% of insurance claims out of total insured deposits of P14.7 billion. The amount paid represents 1.45 million accounts in some 425 closed banks out of 2 million accounts.

We have some P717.21 million pending claims, representing 39.934 million accounts. This number includes those who have small balances, claims which would entail costs not justified by the amount to be claimed, those with documentary deficiencies and depositors who no longer reside in their last known addresses and who may not be aware of closures despite public announcements. Others did not claim because they could not leave their farms or homes and did not know how to meet the claim requirements. For private insurance firms, this is good for their bottomline and would rather keep things as they are now, but for PDIC, this means falling short of our mandate to protect the smallest of depositors. We hope to explore better ways and means to reduce this backlog.

Liquidation of the assets of closed banks has not been easy, either. We have reported total recoveries amounting to P470 million for the year 2002. Needless to say, we have to

Anniversary Speech and Report delivered by PDIC President and CEO Ricardo M. Tan, June 18, 2003 continue to enhance our systems of disposal and innovate to maximize recoveries for the creditors of the closed banks. Being at the forefront of receivership and liquidation, PDIC now manages 11 closed banks under receivership and 411 closed banks under liquidation. To hasten the liquidation process, the PDIC management is now looking at it from a different perspective, one that would involve the outsourcing of some functions, specifically, accounting and auditing, but with the PDIC to retain core functions inherent to it such as the takeover of closed banks and payment of insured deposits. The collective efforts of the PDIC team in the liquidation process who literally worked their fingers to the bone to get the job done, enabled the PDIC to remit surplus dividends to the National Government. In September 2001, the PDIC handed over to President Gloria Arroyo, the amount of P1.35 billion representing surplus dividends from PISO Bank.

Another encouraging development was the successful retakeover of the Rural Bank of Tuy in Batangas during the last week of May this year, amidst physical threats to the security of our people and after three years of legal battle with the owners, which reached the Supreme Court. Unfortunately, we are still in a difficult uphill climb as the bank was practically stripped of its records when we finally took over. Pertinent records which shall be our bases for payment of depositors and creditors of the bank are missing. This would mean another legal battle to compel the previous owners to turn over the records to us. I would like to take this opportunity to commend the takeover team of the Rural Bank of Tuy for their unwavering professionalism and courage amidst the risk posed by this takeover.

Tomorrow, on June 19, armed with another Supreme Court resolution, we shall again brave threats to security as we pursue to re-takeover another bank in Batangas, owned by predominantly the same set of owners of the Rural Bank of Tuy. After three years of legal battle, the Supreme Court has decided with finality that the closure of this bank is valid. We enjoin you to pray for the success of this takeover.

The Corporation continues to score highly in financial performance, as evidenced by the rise in total assets of P97.91 billion a 55.3% increase from the 2001 level.

The Corporation continues to score highly in financial performance, as evidenced by the rise in total assets of P97.91 billion a 55.3% increase from the 2001 level.

This afternoon, we shall, in symbolic ceremonies, present to the National Government, a total of P2.0 billion in dividends declared for the year 2002, as our modest contribution to the government's efforts to bridge the budget deficit.

We continue to institute efficiency in our premium collection from our 909 member banks to build up the Deposit Insurance Fund (DIF) *vis a vis* the estimated insured deposits in the banking system, which now stand at 445.85 billion as of year end 2002, against 417.52 trillion or 19% of the banking systems' total deposit liabilities.

The 2002 Deposit Insurance Fund is estimated at P36.71 billion which is 17% higher than the year end 2001 level. The PDIC generated P8.27 billion revenues in 2002, of which P4.44 billion was in premium collected and P3.24 billion was income from investments.

The PDIC has made significant strides in a bid to strengthen its legislative framework and maintain closer linkages and cooperation with relevant entities in the local and international fronts. Our proposed amendments to the PDIC Charter have been heard by both legislative houses. The two major reforms being pushed by the PDIC in pursuit of depositor protection and strengthening public confidence in the stability of our banking system are the increase in the maximum deposit insurance coverage from P100,000 to P200,000, and the restoration of PDIC's authority to examine our member banks in close coordination with the Bangko Sentral ng Pilipinas (BSP).

A significant breakthrough, after years of exploring, is the forging of closer coordination between the PDIC and the BSP. in the strengthening of information exchange and generation, by way of a Memorandum of Agreement. The agreement established the overall framework to share relevant information including data on problem banks to best achieve our complementary mandates.

The PDIC has likewise been an active member of the International Association of Deposit Insurers or IADI which was established in Basel, Switzerland last year, to maintain liaison and cooperation with our foreign peers and to enhance technical assistance from the more developed deposit insurance systems to the less developed ones, and for deposit insurance systems (DIS) to keep abreast with international best practices. To advance the interests of deposit insurers in Asia, the PDIC, together with our counterparts in Japan, Korea and Taiwan, are at the forefront in establishing an affiliated Asian Regional Council of IADI.

The PDIC shall commence an institutional capability strengthening program aimed at enhancing our risk management activities with the support of the Canadian International Development Agency through its Policy, Technical and Training Facility (PTTAF).

The road that we shall travel remains dotted with challenges, many of them in forms we are not familiar with. But 40 years have honed the Corporation's ability to face, contend and weather a multitude of challenges, many unforeseen, many unexpected. Through the years, the mandate remains the same: to serve the best interest of the depositing public through enhanced depositor protection, and to help strengthen public confidence in the banks, and therefore promote stability in the banking system. The PDIC shall remain firm in its commitment to this cause. The depositing public can be assured that PDIC's political will and determination are stronger than ever. I am certain that resilience and strength of purpose shall carry us through.

The depositing public can be assured that PDIC's political will and determination are stronger than ever.

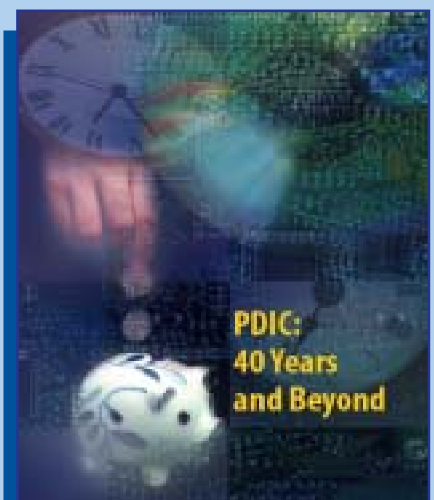
THE PDIC BOOK

40 YEARS AND BEYOND: AN OVERVIEW

PDIC: 40 Years and Beyond is a chronicle of people and events in PDIC's 40-year history, written from a 2003 perspective. The book traces the Corporation's humble beginnings, its progression and eventual emergence as a significant player in the banking system safety net. It also focuses on its people, the leaders who helped shape PDIC's brand of public service, its role in the banking community and its culture as an organization.

At the core of the book is the chapter on how the Corporation protects its depositors when banks close. This includes a discussion on payoff operations and brief case studies of landmark payoff operations that had shaped its policies and procedures over the years. It also charts the future directions of the Corporation and the challenges it faces, including the proposed amendments to its Charter, all designed to strengthen its mandate and operations as well as enable it to respond to the changing needs of small depositors and its member bank.

By and large, *PDIC: 40 Years and Beyond* seeks to capture the Corporation's triumphs and setbacks, the challenges and opportunities, as it continuously moves onward in a rapidly changing banking environment.



For book orders, please visit www.pdic.gov.ph or mail or fax to Public Affairs Department, 2228 Chino Roces Ave., Makati City 1231 Philippines; Fax (632) 8134335; email: pad@pdic.gov.ph.

INDUSTRY SCAN

Overview

It has been our goal to provide the banking community – from apprentices to seasoned analysts – with banking and deposit information derived from the performance of our mandates, to the extent that same can be legitimately disclosed to the public. The various bank statistics shown in the following pages offer the reader a glimpse into the banking industry's profile and performance, from which conclusions may be drawn. This can also serve as springboard for further research.

In this issue, selected balance sheet and income statement accounts are provided, together with key performance ratios for the Philippine banking system, further broken down into commercial, thrift and rural banking systems. Some of these data are summarized in a bar graph showing various capital, asset quality, earnings and liquidity measures.

Statistics on deposits, particularly, as to size of domestic deposit accounts are also provided. The same are disaggregated among type of deposit (e.g., demand, savings, time and foreign currency deposits), amount (clusters ranging from below P15,000 to over P200,000) and geographic distribution. As a visual aid, a map of the Philippines is presented side by side with the geographic distribution of deposits among the country's 17 regions. The tables and figures presented are as follows:

A. Tables
1. Philippine Banking Statistics (PBS)
   a. Commercial Banks (KBs)
      a.1 Expanded KBs (EKBs)
      a.2 Non - Expanded KBs (NEKB)
      a.3 Foreign Banks
      a.4 Specialized Gov't Banks (SGBs)
   b. Thrift Banks (TBs)
      b.1 Savings & Mortgage Banks (SMBs)
      b.2 Private Dev't Banks (PDBs)
      b.3 Savings & Loan Association (SLAs)
      b.4 Micro Finance Oriented Banks (MFOs)
   c. Rural Banks (RBs)
      c.1 Cooperative Banks
      c.2 Regular & MFOs
2. Rural Bank Statistics per Region
3. Domestic Deposit by Size of Accounts
   a. Philippine Banking System
   b. Commercial Banks
   c. Thrift Banks
   d. Rural Banks
4. Regional Distribution of Domestic Deposits
   a. Philippine Banking System
   b. Commercial Banks
   c. Thrift Banks
   d. Rural Banks
5. Percentage Share of Domestic Deposits

B. Figures
1. Financial Ratios of Philippine Banking System
2. Growth in Domestic Deposit Amounts in line graph for PBS, KBs, TBs, & RBs from Dec-end 1995 to Jun-end 2003
3. Growth in Domestic Deposit Accounts in line graph for PBS, KBs, TBs, & RBs from Dec-end 1995 to Jun-end 2003

C. Glossary of Terms and Notes

Caveat

The material provided presents data obtained from financial reports submitted periodically by banks in compliance with existing regulations of the Philippine Deposit Insurance Corporation (PDIC). Submitted reports, which are subjected to an internal process of system validating financial disclosures, are the responsibility of banks' Board and management.

In case of non-submission of a report by a bank for the current period, the bank's most recent available report of the same type is used in the generation of industry statistics (please see notes on unsubmitted reports on page 33). As a result of this methodology, there may be discrepancies when comparing the same account entry against different statistics generated by the PDIC sourced from different types of reports. Certain discrepancies with statistics of other regulatory agencies mainly attributed to timing differences in data generation and frequency in accessing data sources may as well arise. Other details and/or explanation provided in the material should also be noted as these may contain important information on how the figures were derived or whether there were any procedural refinements applied to the data.

For further queries and information, please contact the Department Manager & Head of the Bank Performance Monitoring Department at telephone numbers (632) 841-4207 and 841-4209, by fax at (632) 812-4116 and 813-3815, by e-mail at bpmc@pdic.gov.ph or write to PDIC 2228 Chino Roces Avenue, Makati City 1231, Philippines. Other relevant banking industry data may also be accessed on-line at www.pdic.gov.ph lodged under Bank Statistics.

Table 1

Philippine Banking Statistics

As of June 30, 2003

(Amounts in Billion Pesos)

Accounts	COMMERCIAL BANKS (KB)					THRIFT BANKS (TB)					RURAL BANKS (RB)			GRAND TOTAL
	EKB	Non-EKB	Foreign	SGB	Total	SMB	PDB	SLA	MFO	Total	Coops	Regular & MFO	Total	
STATEMENT OF CONDITION														
Quick Assets	348.79	52.98	167.20	161.59	730.56	35.10	8.07	4.35	0.03	47.55	0.91	18.42	19.33	797.44
Gross Loans	1,095.48	126.75	274.25	218.40	1,714.88	116.46	29.08	5.11	0.13	150.78	4.16	49.04	53.20	1,918.86
Interest Earning Assets	1,440.82	171.42	452.32	362.67	2,427.23	144.54	31.21	8.26	0.15	184.16	4.23	57.39	61.62	2,673.01
Risk Assets	1,609.49	195.49	350.87	256.14	2,411.99	154.77	42.99	9.85	0.15	207.76	5.03	69.99	75.03	2,694.78
Risk Weighted Assets	1,160.77	150.69	268.06	201.31	1,780.84	125.37	39.06	9.52	0.16	174.12	5.03	69.99	75.03	2,029.98
Non-Performing Loans	201.74	23.63	16.61	33.48	275.46	13.89	5.52	0.85	0.01	20.27	0.67	6.79	7.45	303.18
ROPOA	142.91	22.62	2.10	19.37	187.01	15.20	8.05	1.85	0.00	25.11	0.24	7.40	7.64	219.76
Non-Performing Assets	344.65	46.25	18.71	52.86	462.47	29.10	13.57	2.70	0.01	45.37	0.91	14.19	15.09	522.93
Total Restructured Loans	95.17	10.04	4.88	25.89	135.98	2.06	1.41	0.11	0.00	3.57	0.13	1.00	1.13	140.68
Current Restructured Loans	56.38	7.50	2.52	16.51	82.91	1.41	1.02	0.07	0.00	2.50	0.12	0.78	0.90	86.30
Non-Performing Restructured Loans	38.80	2.54	2.36	9.38	53.07	0.65	0.39	0.03	0.00	1.07	0.01	0.22	0.23	54.37
Gross Problematic Asset	401.03	53.75	21.23	69.37	545.37	30.51	14.59	2.77	0.01	47.87	1.03	14.97	16.00	609.24
Loan Loss Provision	98.63	12.37	14.92	22.32	148.23	5.53	2.39	0.37	0.01	8.29	0.23	2.49	2.72	159.24
Total Allowance	108.53	13.22	15.41	24.26	161.43	6.30	2.64	0.40	0.01	9.34	0.23	2.67	2.90	173.67
TOTAL ASSETS	2,039.06	244.47	482.72	421.66	3,187.91	190.33	52.75	13.89	0.22	257.19	5.57	79.31	84.88	3,529.98
Total Deposits	1,467.98	167.10	283.37	233.15	2,151.60	142.18	31.40	8.18	0.04	181.80	3.17	55.73	58.89	2,392.30
Total Borrowings	148.23	31.04	19.30	122.86	321.44	4.94	10.65	1.90	0.03	17.52	1.13	6.70	7.84	346.79
TOTAL LIABILITIES	1,766.39	211.66	407.54	381.31	2,766.90	159.31	45.53	10.81	0.07	215.71	4.68	66.81	71.49	3,054.10
Capital for Capital to Risk Asset Ratio	192.11	26.38	70.21	36.22	324.92	25.83	4.98	2.97	0.14	33.91	0.87	12.18	13.05	371.88
Qualifying Capital	158.79	26.79	71.29	37.50	294.37	27.77	4.85	2.68	0.14	35.44	0.87	12.18	13.05	342.86
Capital for NPL, NPA & GPA to Capital Ratio	304.81	39.76	85.83	60.58	490.98	32.75	7.70	3.38	0.14	43.98	1.12	14.89	16.01	550.96
BOOKED CAPITAL	272.67	32.81	75.18	40.35	421.01	31.02	7.22	3.09	0.15	41.48	0.90	12.50	13.39	475.88
INCOME AND EXPENSES														
Interest Income	49.65	7.20	15.12	13.34	85.30	7.57	1.81	0.47	0.03	9.88	0.35	4.44	4.79	99.97
Interest Expense	28.48	4.06	7.33	4.04	43.91	3.23	1.29	0.26	0.00	4.78	0.18	1.93	2.11	50.80
Net Interest Income	21.16	3.14	7.79	9.30	41.39	4.34	0.52	0.21	0.03	5.10	0.17	2.51	2.68	49.17
Other Operating Income	24.78	2.77	5.29	2.49	35.33	1.38	0.39	0.11	0.01	1.90	0.15	1.18	1.33	38.56
Other Operating Expense	29.09	3.92	8.01	7.32	48.34	4.98	0.39	0.11	0.01	6.57	0.24	3.04	3.29	58.19
Provisions for Loan Losses	7.73	0.49	1.29	2.71	12.22	0.46	1.17	0.38	0.04	0.51	0.01	0.09	0.09	12.82
Net Operating Income	9.12	1.49	3.78	1.77	16.16	0.28	-0.29	-0.08	0.00	-0.09	0.07	0.57	0.64	16.71
Non-Operating Income	1.58	0.09	0.17	0.22	2.05	0.15	0.03	0.01	0.00	0.28	0.01	0.13	0.14	2.47
Net Income Before Tax	10.70	1.58	3.95	1.99	18.22	0.42	-0.18	-0.05	0.00	0.19	0.08	0.70	0.78	19.18
Net Income After Tax	9.65	1.45	2.86	2.09	16.06	0.26	-0.18	-0.07	0.00	0.02	0.08	0.60	0.67	16.75
RATIOS (In Percentage)														
Capital to Risk Assets	11.9	13.5	20.0	14.1	13.5	16.7	11.6	30.2	91.1	16.3	17.2	17.4	17.4	13.8
Risk-Based Capital Adequacy Ratio	13.7	17.8	26.6	18.6	16.5	22.1	12.4	28.1	85.7	20.4	17.2	17.4	17.4	16.9
Non-Performing Loans to Capital	66.2	59.4	19.3	55.3	56.1	42.4	71.6	25.1	4.3	46.1	59.4	45.6	46.6	55.0
Non-Performing Assets to Capital	113.1	116.3	21.8	87.2	94.2	88.8	176.2	79.8	4.3	103.2	81.1	95.3	94.3	94.9
Gross Problematic Assets to Capital	131.6	135.2	24.7	114.5	111.1	93.2	189.4	81.9	4.3	108.8	91.6	100.6	99.9	110.6
Non-Performing Loans to Gross Loans	18.4	18.6	6.1	15.3	16.1	11.9	19.0	16.6	4.7	13.4	16.0	13.8	14.0	15.8
Non-Performing Assets to Total Assets	16.9	18.9	3.9	12.5	14.5	15.3	25.7	19.4	2.9	17.6	16.3	17.9	17.8	14.8
Loan Loss Provision to Non-Performing Loans	48.9	52.3	89.8	66.7	53.8	39.8	43.3	43.4	87.2	40.9	34.5	36.6	36.4	52.5
Gross Loans to Total Assets	53.7	51.8	56.8	51.8	53.8	61.2	55.1	36.8	60.8	58.6	74.6	61.8	62.7	54.4
Quick Assets to Total Assets	17.1	21.7	34.6	38.3	22.9	18.4	15.3	31.3	14.5	18.5	16.3	23.2	22.8	22.6
Return on Equity	7.2	9.0	7.7	10.5	7.7	1.7	-4.9	-4.2	0.9	0.1	17.5	9.6	10.1	7.1
Return on Assets	0.9	1.2	1.2	1.0	1.0	0.3	-0.7	-0.9	0.6	0.0	2.8	1.5	1.6	1.0
Net Interest Margin	2.9	3.8	3.4	5.3	3.4	6.0	3.4	5.0	40.7	5.5	8.1	9.0	8.9	3.7
Operating Expense to Operating Income	80.1	74.8	71.1	85.0	78.9	95.2	131.9	123.8	96.9	101.3	78.7	84.6	84.1	81.0
Operating Expense excl. Provisions to Operating Income	63.3	66.4	61.2	62.0	63.0	87.1	128.1	119.6	90.1	93.9	76.5	82.3	81.8	66.3
Non-Operating Income to Net Income Before Tax	14.8	5.5	4.3	11.0	11.3	35.0	-61.7	-40.5	0.0	147.0	10.2	18.7	17.8	12.9
Quick Assets to Total Deposits	23.8	31.7	59.0	69.3	34.0	24.7	25.6	53.2	74.0	26.1	28.8	33.1	32.8	33.3
Gross Loans to Total Deposits	74.6	75.9	96.8	93.7	79.7	81.9	92.3	62.5	310.8	82.9	131.3	88.0	90.3	80.2
No. of PDIC Member Banks	**12**	**8**	**19**	**3**	**42**	**32**	**29**	**30**	**2**	**93**	**47**	**722**	**769**	**904**

Table 2

Rural Banks Statistics by Region

As of June 30, 2003

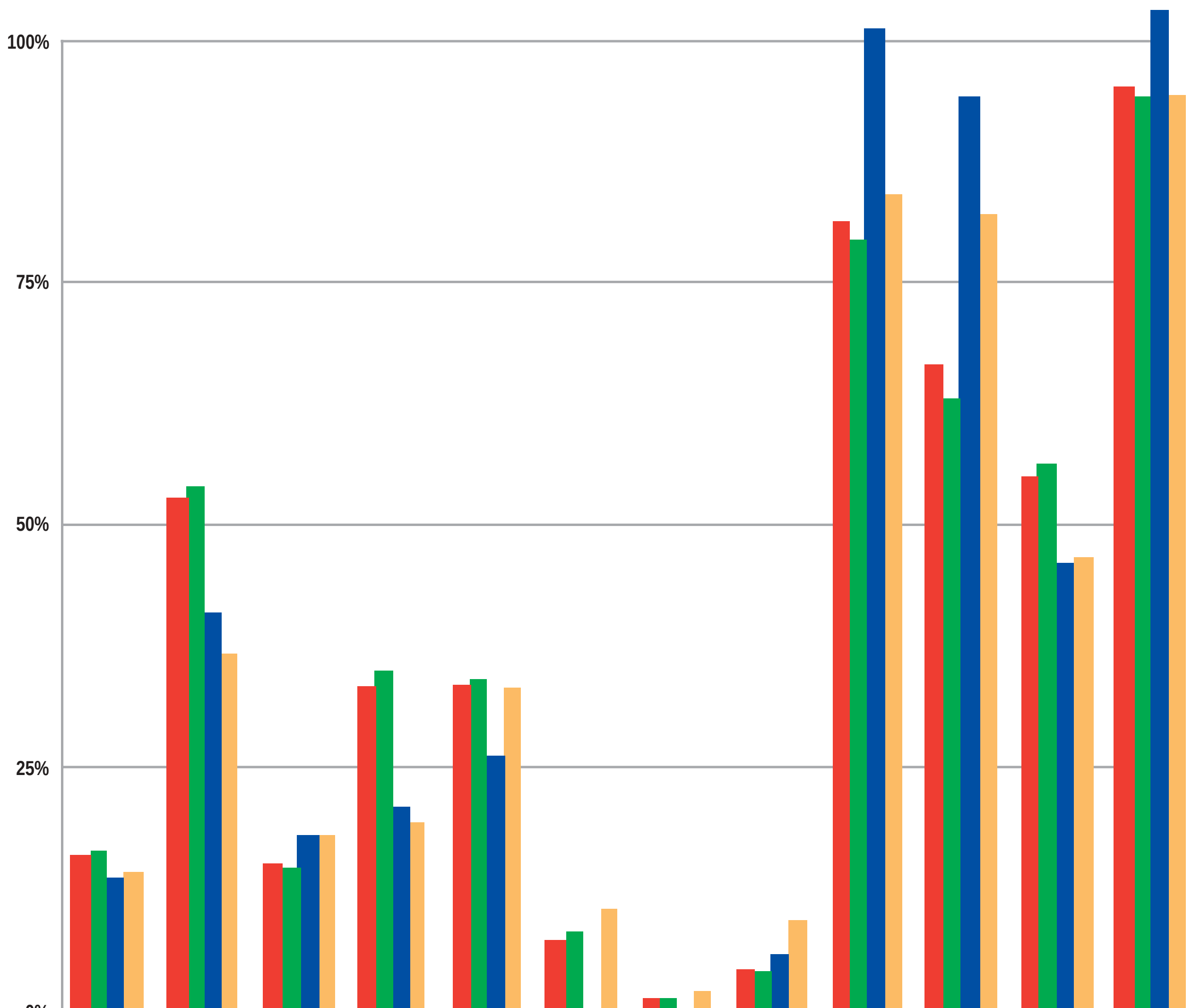
(Amounts in Billion Pesos)

Accounts	Regions																	GRAND
	NCR	1	2	3	4-A	4-B	5	6	7	8	9	10	11	12	CAR	ARMM	CARAGA	TOTAL
STATEMENT OF CONDITION																		
Quick Assets	1.43	1.56	0.89	3.14	5.50	0.57	0.53	0.78	1.48	0.33	0.18	1.04	0.87	0.29	0.42	0.02	0.31	19.33
Gross Loans	4.01	4.57	2.75	9.04	12.11	1.29	3.01	2.81	2.57	0.79	0.88	3.04	2.03	1.29	0.91	0.07	2.04	53.20
Interest Earning Assets	4.82	4.93	2.99	10.57	14.89	1.49	3.06	2.84	3.39	0.95	0.95	3.46	2.60	1.35	1.17	0.08	2.07	61.62
Risk Assets	5.64	6.12	3.88	12.79	19.88	1.78	3.67	3.33	4.07	0.99	1.02	3.94	2.85	1.58	1.27	0.08	2.35	75.03
Non-Performing Loans	0.16	0.77	0.68	1.03	2.15	0.23	0.31	0.45	0.42	0.10	0.08	0.41	0.15	0.19	0.12	0.01	0.20	7.45
ROPOA	0.46	0.47	0.39	1.28	3.44	0.10	0.24	0.15	0.35	0.02	0.03	0.28	0.12	0.13	0.10	0.00	0.09	7.64
Non-Performing Assets	0.62	1.25	1.08	2.30	5.59	0.33	0.55	0.60	0.77	0.12	0.12	0.69	0.27	0.31	0.22	0.01	0.29	15.09
Total Restructured Loans	0.14	0.04	0.04	0.11	0.47	0.00	0.10	0.04	0.03	0.03	0.00	0.05	0.06	0.01	0.00	0.00	0.02	1.13
Current Restructured Loans	0.10	0.03	0.03	0.07	0.41	0.00	0.09	0.02	0.01	0.02	0.00	0.03	0.05	0.01	0.00	0.00	0.01	0.90
Non-Performing Restructured Loans	0.05	0.01	0.01	0.04	0.06	0.00	0.00	0.01	0.01	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.01	0.23
Gross Problematic Asset	0.71	1.28	1.10	2.37	6.00	0.33	0.64	0.62	0.78	0.15	0.12	0.73	0.32	0.32	0.22	0.01	0.30	16.00
Loan Loss Provision	0.12	0.22	0.17	0.33	0.63	0.07	0.13	0.20	0.20	0.07	0.04	0.24	0.08	0.07	0.05	0.00	0.08	2.72
Total Allowance	0.13	0.24	0.18	0.35	0.67	0.08	0.14	0.21	0.22	0.08	0.04	0.28	0.09	0.08	0.05	0.00	0.09	2.90
TOTAL ASSETS	6.45	6.85	4.24	14.36	22.40	1.98	3.98	3.76	4.73	1.14	1.12	4.47	3.38	1.78	1.49	0.09	2.63	84.88
Total Deposits	5.05	5.18	2.47	9.91	16.89	1.35	2.74	2.62	3.49	0.68	0.57	1.95	2.39	1.03	1.03	0.04	1.50	58.89
Total Borrowings	0.30	0.45	0.77	1.44	1.70	0.15	0.52	0.33	0.18	0.15	0.19	0.74	0.17	0.23	0.08	0.02	0.43	7.84
TOTAL LIABILITIES	5.73	6.00	3.57	12.04	19.47	1.59	3.46	3.21	3.91	0.91	0.87	3.06	2.84	1.39	1.20	0.06	2.18	71.49
Capital for Capital to Risk Asset Ratio	0.69	0.85	0.66	2.29	2.82	0.38	0.51	0.54	0.80	0.24	0.25	1.35	0.51	0.38	0.30	0.03	0.43	13.05
Capital for NPL, NPA & GPA to Capital Ratio	0.82	1.09	0.84	2.65	3.50	0.46	0.65	0.75	1.02	0.31	0.30	1.63	0.60	0.46	0.35	0.03	0.52	16.01
BOOKED CAPITAL	0.72	0.86	0.66	2.33	2.92	0.39	0.53	0.55	0.82	0.24	0.25	1.41	0.55	0.39	0.30	0.03	0.45	13.39
INCOME AND EXPENSES																		
Interest Income	0.36	0.33	0.26	0.75	1.02	0.12	0.24	0.23	0.27	0.07	0.08	0.34	0.23	0.14	0.08	0.01	0.26	4.79
Interest Expense	0.22	0.16	0.12	0.34	0.56	0.05	0.14	0.09	0.12	0.02	0.02	0.08	0.05	0.03	0.02	0.00	0.09	2.11
Net Interest Income	0.15	0.17	0.14	0.41	0.46	0.07	0.10	0.13	0.15	0.05	0.06	0.26	0.18	0.10	0.06	0.01	0.18	2.68
Other Operating Income	0.07	0.10	0.10	0.21	0.28	0.03	0.05	0.07	0.06	0.02	0.02	0.09	0.07	0.04	0.03	0.00	0.09	1.33
Other Operating Expense	0.25	0.24	0.19	0.49	0.73	0.07	0.13	0.16	0.20	0.05	0.05	0.22	0.17	0.10	0.06	0.01	0.18	3.29
Provision for Loan Losses	0.01	0.00	0.01	0.01	0.01	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00	0.02	0.09
Net Operating Income	-0.04	0.03	0.04	0.13	0.00	0.02	0.02	0.04	0.02	0.01	0.01	0.11	0.08	0.04	0.03	0.01	0.07	0.64
Non-Operating Income	0.02	0.01	0.01	0.02	0.05	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00	0.00	0.00	0.00	0.14
Net Income Before Tax	-0.03	0.04	0.05	0.16	0.05	0.03	0.02	0.04	0.02	0.01	0.01	0.12	0.09	0.04	0.03	0.01	0.07	0.78
Net Income After Tax	-0.03	0.04	0.05	0.15	0.03	0.02	0.02	0.04	0.02	0.01	0.01	0.09	0.07	0.04	0.03	0.01	0.07	0.67
RATIOS (In Percentage)																		
Capital to Risk Assets	12.3	13.9	17.1	17.9	14.3	21.7	14.0	16.2	19.6	23.9	24.8	34.2	17.8	0.24	0.23	0.39	0.18	0.17
Non-Performing Loans to Capital	19.2	70.8	80.3	38.7	61.5	50.1	46.8	60.0	40.8	32.1	28.7	25.4	25.3	0.40	0.34	0.28	0.38	0.47
Non-Performing Assets to Capital	74.8	114.1	126.2	86.8	159.8	71.9	83.6	79.7	74.8	39.3	39.8	42.5	45.3	0.68	0.63	0.30	0.55	0.94
Gross Problematic Assets to Capital	86.6	117.2	130.3	89.4	171.5	72.0	97.9	82.8	76.0	47.1	39.9	44.6	53.2	0.70	0.63	0.30	0.56	1.00
Non-Performing Loans to Gross Loans	3.9	16.9	24.6	11.4	17.8	18.0	10.2	16.0	16.2	12.7	9.6	13.6	7.5	0.14	0.13	0.14	0.10	0.14
Non-Performing Assets to Total Assets	9.5	18.2	25.1	16.0	24.9	16.8	13.7	15.9	16.2	10.7	10.5	15.5	8.1	0.18	0.15	0.11	0.11	0.18
Loan Loss Provisions to Gross Loans	3.0	4.9	6.1	3.7	5.2	5.8	4.3	7.0	7.8	9.2	4.4	8.0	4.1	0.05	0.06	0.03	0.04	0.05
Gross Loans to Total Assets	62.1	66.7	64.8	62.9	54.0	65.0	75.6	74.7	54.4	68.8	78.8	68.1	59.9	0.72	0.61	0.75	0.77	0.63
Quick Assets to Total Assets	22.2	22.7	20.9	21.8	24.6	28.9	13.2	20.8	31.2	28.5	16.5	23.4	25.8	0.16	0.28	0.18	0.12	0.23
Return on Equity	-8.1	9.4	14.6	13.1	2.3	12.9	8.9	15.0	4.2	10.1	11.1	13.0	27.1	0.19	0.19	0.47	0.33	0.10
Return on Assets	-1.0	1.2	2.3	2.2	0.3	2.5	1.2	2.2	0.7	2.1	2.5	4.1	4.4	0.04	0.04	0.17	0.05	0.02
Net Interest Margin	6.4	7.2	9.7	8.1	6.3	9.2	7.0	9.9	9.5	10.4	11.9	14.7	14.3	0.16	0.10	0.26	0.18	0.09
Operating Expense to Operating Income	119.2	88.6	82.3	78.9	99.9	78.1	85.2	80.1	91.3	80.0	81.0	68.0	68.8	0.72	0.67	0.45	0.73	0.84
Operating Expense excl. Provision to Operating Income	116.2	87.7	79.7	77.6	98.3	75.5	83.3	78.5	90.1	78.5	70.2	63.9	66.0	0.70	0.66	0.45	0.66	0.82
Non-Operating Income to Net Income Before Tax	-63.7	23.4	21.2	15.1	99.0	7.7	6.8	5.0	19.7	4.1	0.3	5.5	9.7	0.08	0.01	0.00	0.02	0.18
Quick Assets to Total Deposits	28.3	30.1	35.9	31.6	32.5	42.3	19.2	29.9	42.3	47.7	32.3	53.6	36.6	0.28	0.40	0.44	0.21	0.33
Gross Loans to Total Deposits	79.5	88.3	111.4	91.2	71.7	95.2	109.8	107.4	73.7	115.2	154.7	156.2	84.8	1.25	0.88	1.87	1.36	0.90
No. of PDIC Member Banks	**27**	**69**	**33**	**104**	**147**	**27**	**52**	**77**	**57**	**27**	**16**	**45**	**24**	**22**	**19**	**4**	**19**	**769**

Figure 1

Financial Ratios of Philippine Banking System

(in %)



	NPL to Gross Loans	LLP to NPL	NPA to Total Assets	Tot. Allow to NPA	Quick Asset Ratio	Return on Equity	Return on Assets	Net Interest Margin	Oper. Efficiency Ratio	Oper. Efficiency w/o Prov	NPL to Capital	NPA to Capital
PBS (904)	15.80%	52.52%	14.81%	33.21%	33.33%	7.13%	0.96%	3.71%	80.95%	66.33%	55.03%	94.91%
KB (42)	16.06%	53.81%	14.51%	34.91%	33.95%	7.74%	1.02%	3.44%	78.93%	63.01%	56.10%	94.19%
TB (93)	13.44%	40.92%	17.64%	20.59%	26.14%	0.10%	0.02%	5.53%	101.29%	93.94%	46.08%	103.17%
RB (769)	14.01%	36.44%	17.78%	19.24%	32.82%	10.15%	1.62%	8.93%	84.13%	81.82%	46.57%	94.30%

Table 3

Domestic Deposit Liabilities by Size of Account

As of June 30, 2003

(Amounts in Billion Pesos)

A. PHILIPPINE BANKING SYSTEM

DEPOSIT SIZE	TOTAL DEPOSITS		DEMAND/NOW DEPOSITS		SAVINGS DEPOSITS		TIME DEPOSITS		FCD'S	
	Account	Amount	Account	Amount	Account	Amount	Account	Amount	Account	Amount
₱ 15,000 & Below	20,285,596	43.441	1,290,494	4.648	18,636,392	36.125	111,304	0.654	247,406	2.014
₱ 15,000.01 - ₱ 40,000	1,890,066	47.443	206,443	5.166	1,473,033	36.238	74,489	1.924	136,101	4.115
₱ 40,000.01 - ₱ 60,000	775,994	38.679	75,789	3.731	519,963	25.490	91,323	4.769	88,919	4.688
₱ 60,000.01 - ₱ 80,000	453,388	31.270	50,802	3.481	289,525	19.855	25,001	1.729	88,060	6.204
₱ 80,000.01 - ₱ 100,000	609,646	55.446	34,255	3.051	244,669	22.092	151,781	14.962	178,941	15.341
₱ 100,000.01 - ₱ 125,000	452,465	49.625	33,823	3.759	319,781	34.717	29,022	3.163	69,839	7.985
₱ 125,000.01 - ₱ 150,000	197,325	26.934	23,941	3.268	124,612	16.917	12,549	1.745	36,223	5.004
₱ 150,000.01 - ₱ 200,000	273,261	47.686	34,609	5.979	168,464	29.192	22,762	4.200	47,426	8.315
Over ₱ 200,000	1,341,584	2,038.638	169,361	256.580	753,473	1,015.497	93,118	111.703	325,632	654.858
Grand Total	**26,279,325**	**2,379.163**	**1,919,517**	**289.665**	**22,529,912**	**1,236.125**	**611,349**	**144.848**	**1,218,547**	**708.525**

B. COMMERCIAL BANKS

DEPOSIT SIZE	TOTAL DEPOSITS		DEMAND/NOW DEPOSITS		SAVINGS DEPOSITS		TIME DEPOSITS		FCD'S	
	Account	Amount	Account	Amount	Account	Amount	Account	Amount	Account	Amount
₱ 15,000 & Below	13,830,369	32.583	1,004,297	3.786	12,545,799	26.509	45,784	0.347	234,489	1.941
₱ 15,000.01 - ₱ 40,000	1,483,000	37.485	176,953	4.434	1,134,813	28.067	40,466	1.029	130,768	3.955
₱ 40,000.01 - ₱ 60,000	613,893	30.620	66,134	3.256	405,652	19.897	57,456	3.010	84,651	4.457
₱ 60,000.01 - ₱ 80,000	350,476	24.145	45,123	3.089	229,138	15.705	14,490	0.991	61,725	4.359
₱ 80,000.01 - ₱ 100,000	482,420	43.391	30,486	2.714	176,267	15.734	98,886	9.795	176,781	15.149
₱ 100,000.01 - ₱ 125,000	357,577	39.378	30,108	3.347	249,456	27.136	12,336	1.368	65,677	7.528
₱ 125,000.01 - ₱ 150,000	164,373	22.428	21,599	2.948	101,164	13.721	6,997	0.971	34,613	4.787
₱ 150,000.01 - ₱ 200,000	228,317	39.812	31,303	5.409	137,608	23.849	14,046	2.597	45,360	7.957
Over ₱ 200,000	1,154,501	1,868.725	155,833	246.797	622,978	893.131	69,022	94.130	306,668	634.667
Grand Total	**18,664,926**	**2,138.567**	**1,561,836**	**275.780**	**15,602,875**	**1,063.748**	**359,483**	**114.238**	**1,140,732**	**684.880**

Table 3

Domestic Deposit Liabilities by Size of Account *(cont.)*

As of June 30, 2003

(Amounts in Billion Pesos)

C. THRIFT BANKS

DEPOSIT SIZE	TOTAL DEPOSITS		DEMAND/NOW DEPOSITS		SAVINGS DEPOSITS		TIME DEPOSITS		FCD'S	
	Account	Amount	Account	Amount	Account	Amount	Account	Amount	Account	Amount
₱ 15,000 & Below	2,058,447	5.174	207,832	0.644	1,816,389	4.386	21,309	0.071	12,917	0.073
₱ 15,000.01 - ₱ 40,000	211,969	5.201	25,232	0.629	172,200	4.172	9,204	0.241	5,333	0.160
₱ 40,000.01 - ₱ 60,000	90,558	4.535	8,428	0.415	61,575	3.018	16,287	0.871	4,268	0.231
₱ 60,000.01 - ₱ 80,000	68,617	4.755	4,969	0.343	34,248	2.354	3,065	0.212	26,335	1.845
₱ 80,000.01 - ₱ 100,000	54,917	5.141	3,305	0.295	35,484	3.284	13,968	1.369	2,160	0.193
₱ 100,000.01 - ₱ 125,000	55,763	6.030	3,296	0.366	45,273	4.877	3,032	0.330	4,162	0.458
₱ 125,000.01 - ₱ 150,000	20,011	2.725	2,052	0.281	14,843	2.018	1,506	0.209	1,610	0.217
₱ 150,000.01 - ₱ 200,000	27,935	4.877	2,909	0.502	19,805	3.426	3,155	0.591	2,066	0.359
Over ₱ 200,000	144,280	143.454	12,493	9.208	102,308	104.501	10,515	9.553	18,964	20.191
Grand Total	**2,732,497**	**181.892**	**270,516**	**12.683**	**2,302,125**	**132.035**	**82,041**	**13.449**	**77,815**	**23.725**

D. RURAL BANKS

DEPOSIT SIZE	TOTAL DEPOSITS		DEMAND/NOW DEPOSITS		SAVINGS DEPOSITS		TIME DEPOSITS		FCD'S	
	Account	Amount	Account	Amount	Account	Amount	Account	Amount	Account	Amount
₱ 15,000 & Below	4,396,780	5.684	78,365	0.218	4,274,204	5.230	44,211	0.236	-	0.000
₱ 15,000.01 - ₱ 40,000	195,097	4.757	4,258	0.104	166,020	4.000	24,819	0.654	-	0.000
₱ 40,000.01 - ₱ 60,000	71,543	3.524	1,227	0.060	52,736	2.575	17,580	0.889	-	0.000
₱ 60,000.01 - ₱ 80,000	34,295	2.370	710	0.049	26,139	1.797	7,446	0.525	-	0.000
₱ 80,000.01 - ₱ 100,000	72,309	6.914	464	0.042	32,918	3.075	38,927	3.797	-	0.000
₱ 100,000.01 - ₱ 125,000	39,125	4.217	419	0.047	25,052	2.704	13,654	1.465	-	0.000
₱ 125,000.01 - ₱ 150,000	12,941	1.782	290	0.040	8,605	1.178	4,046	0.564	-	0.000
₱ 150,000.01 - ₱ 200,000	17,009	2.997	397	0.068	11,051	1.918	5,561	1.011	-	0.000
Over ₱ 200,000	42,803	26.460	1,035	0.575	28,187	17.865	13,581	8.020	-	0.000
Grand Total	**4,881,902**	**58.705**	**87,165**	**1.202**	**4,624,912**	**40.342**	**169,825**	**17.161**	-	**0.000**

Table 4

Regional Distribution of Domestic Deposits by Type of Account

As of June 30, 2003

(Amounts in Billion Pesos)

A. PHILIPPINE BANKING SYSTEM

AREA	No. of Banking Offices	TOTAL DEPOSITS		DEMAND/NOW DEPOSITS		SAVINGS DEPOSITS		TIME DEPOSITS		FCD'S	
		Account	Amount	Account	Amount	Account	Amount	Account	Amount	Account	Amount
TOTAL NCR	**2,561**	**10,096,656**	**1,614.427**	**1,045,890**	**184.426**	**8,053,949**	**752.983**	**266,449**	**94.965**	**730,368**	**582.048**
City of Manila	578	1,832,021	290.636	200,110	30.871	1,449,434	158.752	44,062	17.739	138,415	83.274
City of Muntinlupa	78	247,902	29.845	27,599	3.903	194,370	13.420	7,350	3.528	18,583	8.993
Kaloocan City	84	340,444	41.474	35,097	3.718	278,700	26.346	7,634	3.197	19,013	8.213
Las Piñas City	62	222,170	13.087	21,302	1.533	182,662	8.410	3,447	0.477	14,759	2.667
Makati City	390	2,340,009	640.320	238,533	69.557	1,759,568	200.678	108,309	41.603	233,599	328.481
Malabon City	36	121,294	12.269	11,304	1.062	101,363	8.324	1,847	0.570	6,780	2.314
Mandaluyong City	101	526,867	66.296	47,005	5.998	451,272	34.992	4,332	0.932	24,258	24.375
Marikina City	57	200,082	13.697	17,116	1.226	165,890	8.962	5,633	0.797	11,443	2.712
Navotas	20	53,054	4.515	6,028	0.522	44,662	3.322	502	0.103	1,862	0.568
Parañaque City	129	459,939	41.874	47,556	5.224	377,933	20.823	7,104	1.478	27,346	14.349
Pasay City	80	390,524	49.566	27,284	4.522	343,497	35.561	4,352	1.125	15,411	8.358
Pasig City	153	536,272	77.066	60,791	16.237	435,421	35.700	10,939	2.695	29,121	22.434
Pateros	11	46,579	1.922	3,079	0.194	41,452	1.310	799	0.134	1,249	0.284
Quezon City	624	2,277,029	253.529	244,791	31.774	1,845,471	160.156	42,276	11.912	144,491	49.687
San Juan	88	259,747	60.650	38,716	5.155	174,107	25.532	13,975	7.882	32,949	22.081
Taguig	18	82,673	2.730	3,085	0.737	77,226	1.399	304	0.023	2,058	0.570
Valenzuela City	52	160,050	14.951	16,514	2.192	130,921	9.300	3,584	0.770	9,031	2.689
TOTAL PROVINCIAL *(Regions)*	**4,777**	**16,179,111**	**764.582**	**873,264**	**105.258**	**14,472,590**	**482.952**	**345,083**	**49.894**	**488,174**	**126.477**
1	360	1,190,068	52.484	42,994	5.404	1,067,436	35.764	34,943	3.451	44,695	7.865
2	195	576,029	21.499	24,474	3.274	527,822	15.395	8,042	0.989	15,691	1.842
3	785	2,317,795	117.789	129,301	12.361	2,026,871	74.437	65,317	7.944	96,306	23.047
4-A	1,142	3,672,420	160.219	188,680	17.987	3,303,432	99.637	69,653	9.614	110,655	32.980
4-B	119	390,759	10.529	15,222	2.084	366,273	6.835	4,590	0.589	4,674	1.021
5	214	739,193	26.465	45,100	4.547	661,832	17.310	15,918	1.795	16,343	2.813
6	384	1,369,900	71.651	87,170	10.102	1,203,903	48.487	29,186	3.274	49,641	9.788
7	482	1,574,435	125.053	106,335	16.704	1,359,816	68.567	44,342	12.258	63,942	27.525
8	122	483,923	19.226	24,068	4.109	443,921	12.544	6,675	0.818	9,259	1.754
9	109	460,992	23.568	24,845	3.931	417,805	15.778	7,906	1.547	10,436	2.312
10	237	884,963	33.393	47,092	6.908	807,042	21.056	13,371	1.872	17,458	3.557
11	239	868,109	44.017	55,730	6.922	775,810	28.361	15,437	2.691	21,132	6.043
12	164	653,735	22.051	35,954	4.287	593,378	14.911	17,023	1.031	7,380	1.822
CAR	106	443,738	23.968	21,019	3.573	399,329	15.960	7,177	1.170	16,213	3.265
ARMM	20	80,907	2.001	4,847	0.404	74,942	1.420	637	0.108	481	0.069
CARAGA	99	472,145	10.670	20,433	2.661	442,978	6.492	4,866	0.742	3,868	0.775
TOTAL	**7,338**	**26,275,767**	**2,379.009**	**1,919,154**	**289.684**	**22,526,539**	**1,235.940**	**611,532**	**144.859**	**1,218,542**	**708.525**

Regional Distribution of Domestic Deposits by Type of Account *(cont.)*

As of June 30, 2003

(Amounts in Billion Pesos)

B. COMMERCIAL BANKS

AREA	No. of Banking Offices	TOTAL DEPOSITS		DEMAND/NOW DEPOSITS		SAVINGS DEPOSITS		TIME DEPOSITS		FCD'S	
		Account	Amount	Account	Amount	Account	Amount	Account	Amount	Account	Amount
TOTAL NCR	**1,991**	**8,664,899**	**1,493.374**	**894,478**	**175.989**	**6,875,282**	**668.506**	**216,456**	**85.549**	**678,683**	**563.331**
City of Manila	477	1,648,137	272.066	177,982	29.623	1,301,094	144.406	37,906	16.180	131,155	81.657
City of Muntinlupa	52	193,200	24.605	21,292	3.532	150,020	9.808	5,750	3.061	16,138	8.204
Kaloocan City	65	292,260	36.632	29,483	3.530	239,299	22.849	6,296	2.597	17,182	7.656
Las Piñas City	36	170,471	9.856	15,001	1.300	141,192	6.061	1,895	0.278	12,383	2.217
Makati City	318	2,043,533	607.387	213,204	67.777	1,506,443	178.836	98,765	39.859	225,121	320.916
Malabon City	30	106,117	11.095	10,111	0.975	88,253	7.395	1,731	0.552	6,022	2.172
Mandaluyong City	84	491,433	64.264	42,237	5.772	422,176	33.516	3,688	0.853	23,332	24.123
Marikina City	38	152,140	11.201	13,153	1.098	126,695	7.294	2,062	0.314	10,230	2.495
Navotas	17	47,828	4.283	5,300	0.498	40,291	3.139	443	0.088	1,794	0.559
Parañaque City	105	389,036	37.372	38,719	4.736	321,908	17.963	4,300	1.092	24,109	13.581
Pasay City	62	349,107	47.589	23,083	4.368	307,648	34.108	3,852	1.028	14,524	8.085
Pasig City	98	419,287	68.266	49,105	15.493	338,914	29.649	4,961	1.934	26,307	21.190
Pateros	5	20,630	1.085	1,828	0.162	17,693	0.700	94	0.006	1,015	0.217
Quezon City	489	1,922,622	225.637	204,671	29.281	1,560,255	141.117	29,645	9.584	128,051	45.655
San Juan	65	224,647	56.076	33,001	4.825	148,221	22.261	12,387	7.507	31,038	21.483
Taguig	10	58,963	2.472	2,541	0.717	54,060	1.165	294	0.020	2,058	0.570
Valenzuela City	40	135,498	13.469	13,767	2.101	111,120	8.239	2,387	0.596	8,224	2.552
TOTAL PROVINCIAL	**2,181**	**10,004,387**	**645.303**	**667,951**	**99.829**	**8,731,337**	**395.305**	**143,055**	**28.700**	**462,044**	**121.470**
(Regions)											
1	140	743,455	43.687	34,161	5.129	652,676	29.645	14,154	1.464	42,464	7.450
2	70	350,931	18.493	21,540	3.233	309,715	12.852	4,046	0.575	15,630	1.833
3	327	1,410,964	93.585	88,925	11.383	1,210,948	56.930	19,660	3.142	91,431	22.150
4-A	438	2,034,047	120.430	122,606	16.203	1,795,532	70.394	17,324	3.037	98,585	30.795
4-B	39	160,433	8.490	11,544	2.000	143,309	5.338	1,184	0.150	4,396	1.001
5	97	433,752	21.935	38,705	4.395	374,098	14.069	4,756	0.687	16,193	2.784
6	221	1,029,566	65.937	78,222	9.845	886,820	44.581	16,102	1.992	48,422	9.519
7	256	1,108,529	111.369	81,863	16.021	936,544	57.979	28,370	10.364	61,752	27.004
8	71	353,543	17.902	23,109	4.082	316,523	11.424	4,662	0.644	9,249	1.752
9	76	369,463	22.279	23,225	3.834	330,236	14.799	5,677	1.352	10,325	2.294
10	114	499,973	29.810	38,375	6.667	437,921	18.365	6,762	1.324	16,915	3.453
11	133	524,439	39.555	42,238	6.439	453,440	25.450	8,581	1.821	20,180	5.845
12	92	431,826	20.294	28,974	4.175	390,805	13.577	4,842	0.758	7,205	1.784
CAR	55	296,626	20.703	16,548	3.426	260,829	13.468	4,301	0.846	14,948	2.963
ARMM	15	68,790	1.910	4,847	0.404	62,855	1.331	607	0.106	481	0.069
CARAGA	39	188,050	8.924	13,069	2.610	169,086	5.102	2,027	0.437	3,868	0.775
TOTAL	**4,172**	**18,669,286**	**2,138.677**	**1,562,429**	**275.818**	**15,606,619**	**1,063.811**	**359,511**	**114.249**	**1,140,727**	**684.800**

Table 4
Regional Distribution of Domestic Deposits by Type of Account *(cont.)*
As of June 30, 2003
(Amounts in Million Pesos)

C. THRIFT BANKS

AREA	No. of Banking Offices	TOTAL DEPOSITS		DEMAND/NOW DEPOSITS		SAVINGS DEPOSITS		TIME DEPOSITS		FCD'S	
		Account	Amount	Account	Amount	Account	Amount	Account	Amount	Account	Amount
TOTAL NCR	**503**	**1,272,314**	**117,019.415**	**147,370**	**8,387.956**	**1,034,537**	**81,638.577**	**38,722**	**8,275.731**	**51,685**	**18,717.151**
City of Manila	101	183,884	18,569.750	22,128	1,048.065	148,340	14,346.387	6,156	1,558.751	7,260	1,616.547
City of Muntinlupa	19	46,495	5,093.439	5,840	367.191	36,744	3,483.592	1,466	453.734	2,445	788.922
Kaloocan City	17	40,316	4,753.479	5,607	188.311	31,783	3,437.838	1,095	569.628	1,831	557.702
Las Piñas City	19	41,237	2,786.479	5,670	229.900	32,443	2,003.222	748	103.596	2,376	449.761
Makati City	69	292,530	32,106.656	25,313	1,780.380	249,260	21,041.660	9,479	1,718.993	8,478	7,565.623
Malabon City	5	13,965	1,153.231	1,193	86.721	11,907	907.602	107	17.468	758	141.440
Mandaluyong City	16	30,416	1,841.951	4,478	224.199	24,758	1,313.202	254	52.255	926	252.295
Marikina City	12	30,937	2,037.419	3,244	122.801	25,771	1,550.851	709	147.253	1,213	216.514
Navotas	2	2,555	215.411	728	23.836	1,701	166.407	58	15.429	68	9.739
Parañaque City	22	65,069	4,203.901	8,782	486.033	52,035	2,677.564	1,015	272.573	3,237	767.731
Pasay City	18	41,417	1,976.664	4,181	154.287	35,849	1,452.267	500	97.046	887	273.064
Pasig City	35	81,524	7,920.286	10,959	735.628	65,910	5,579.252	1,841	361.499	2,814	1,243.907
Pateros	4	6,383	580.718	910	29.910	5,006	417.744	233	66.374	234	66.690
Quezon City	133	342,588	27,830.538	40,079	2,490.479	273,638	19,002.708	12,431	2,305.127	16,440	4,032.222
San Juan	22	34,275	4,531.510	5,646	329.833	25,140	3,229.684	1,579	374.316	1,911	597.677
Taguig	-	-	0.000	-	0.000	-	0.000	-	0.000	-	0.000
Valenzuela City	9	18,723	1,417.985	2,613	90.382	14,252	1,028.597	1,051	161.689	807	137.317
TOTAL PROVINCIAL ***(Regions)***	**761**	**1,459,753**	**64,847.833**	**123,147**	**4,287.860**	**1,267,241**	**50,385.250**	**43,235**	**5,167.095**	**26,130**	**5,007.628**
1	37	75,055	3,577.811	5,819	207.841	64,959	2,765.107	2,046	189.469	2,231	415.394
2	8	17,591	696.800	912	9.096	15,732	611.838	886	67.099	61	8.767
3	159	263,407	13,903.385	20,777	777.828	221,346	10,798.659	16,409	1,429.963	4,875	896.935
4-A	258	458,663	22,390.770	44,542	1,518.232	389,534	16,955.546	12,517	1,731.941	12,070	2,185.051
4-B	23	56,625	697.239	3,052	80.105	53,070	574.034	225	23.334	278	19.766
5	27	83,891	1,805.754	5,688	146.207	76,097	1,405.601	1,956	225.054	150	28.892
6	44	61,400	3,028.335	6,596	241.445	51,941	2,200.776	1,644	316.589	1,219	269.525
7	101	227,925	10,205.813	16,309	628.062	205,132	8,368.265	4,294	688.501	2,190	520.985
8	6	13,892	572.914	787	25.405	13,037	543.264	58	2.009	10	2.236
9	7	10,388	665.191	1,112	93.828	9,066	549.571	99	3.837	111	17.955
10	34	69,596	1,943.425	5,604	182.547	62,777	1,567.677	672	89.490	543	103.711
11	29	54,406	2,376.178	5,385	179.998	46,806	1,749.184	1,263	248.921	952	198.075
12	10	17,571	656.978	2,270	54.683	14,824	499.675	302	64.572	175	38.048
CAR	12	35,701	2,179.785	3,736	133.460	29,849	1,659.664	851	84.373	1,265	302.288
ARMM	-	-	0.000	-	0.000	-	0.000	-	0.000	-	0.000
CARAGA	6	13,642	147.455	558	9.123	13,071	136.389	13	1.943	-	0.000
TOTAL	**1,264**	**2,732,067**	**181,867.248**	**270,517**	**12,675.816**	**2,301,778**	**132,023.827**	**81,957**	**13,442.826**	**77,815**	**23,724.779**

Table 4

Regional Distribution of Domestic Deposits by Type of Account (cont.)

As of June 30, 2003

(Amounts in Million Pesos)

D. RURAL BANKS

AREA	No. of Banking Offices	TOTAL DEPOSITS		DEMAND/NOW DEPOSITS		SAVINGS DEPOSITS		TIME DEPOSITS		FCD'S	
		Account	Amount	Account	Amount	Account	Amount	Account	Amount	Account	Amount
TOTAL NCR	**67**	**159,443**	**4,033.238**	**4,042**	**49.387**	**144,130**	**2,843.214**	**11,271**	**1,140.637**	-	**0.000**
City of Manila	-	-	0.000	-	0.000	-	0.000	-	0.000	-	0.000
City of Muntinlupa	7	8,207	146.486	467	4.491	7,606	128.813	134	13.182	-	0.000
Kalookan City	2	7,868	88.600	7	0.005	7,618	58.596	243	29.999	-	0.000
Las Piñas City	7	10,462	444.264	631	3.200	9,027	345.807	804	95.257	-	0.000
Makati City	3	3,946	826.029	16	0.050	3,865	800.854	65	25.125	-	0.000
Malabon City	1	1,212	21.450	-	0.000	1,203	20.943	9	0.507	-	0.000
Mandaluyong City	1	5,018	190.136	290	0.912	4,338	162.204	390	27.020	-	0.000
Marikina City	7	17,005	458.779	719	5.363	13,424	117.313	2,862	336.103	-	0.000
Navotas	1	2,671	16.726	-	0.000	2,670	16.646	1	0.080	-	0.000
Parañaque City	2	5,834	298.671	55	1.977	3,990	183.225	1,789	113.469	-	0.000
Pasay City	-	-	0.000	-	0.000	-	0.000	-	0.000	-	0.000
Pasig City	20	35,461	879.005	727	8.157	30,597	471.422	4,137	399.426	-	0.000
Pateros	2	19,566	256.823	341	2.091	18,753	192.615	472	62.117	-	0.000
Quezon City	2	11,819	61.218	41	2.053	11,578	36.656	200	22.509	-	0.000
San Juan	1	825	42.262	70	0.376	746	41.654	9	0.232	-	0.000
Taguig	8	23,720	257.935	544	20.328	23,166	234.747	10	2.860	-	0.000
Valenzuela City	3	5,829	44.854	134	0.384	5,549	31.719	146	12.751	-	0.000
TOTAL PROVINCIAL ***(Regions)***	**1,835**	**4,714,971**	**54,431.063**	**82,166**	**1,141.333**	**4,474,012**	**37,262.432**	**158,793**	**16,027.298**	-	**0.000**
1	183	371,558	5,218.660	3,014	67.070	349,801	3,354.069	18,743	1,797.521	-	0.000
2	117	207,507	2,309.761	2,022	31.647	202,375	1,931.075	3,110	347.039	-	0.000
3	299	643,424	10,301.002	19,599	220.647	594,577	6,708.596	29,248	3,371.759	-	0.000
4-A	448	1,179,710	17,398.217	21,532	265.790	1,118,366	12,287.370	39,812	4,845.057	-	0.000
4-B	57	173,701	1,341.236	626	3.056	169,894	922.784	3,181	415.396	-	0.000
5	90	221,550	2,723.893	707	5.669	211,637	1,836.060	9,206	882.164	-	0.000
6	119	278,934	2,685.250	2,352	14.920	265,142	1,704.588	11,440	965.742	-	0.000
7	125	237,981	3,478.683	8,163	54.402	218,140	2,218.869	11,678	1,205.412	-	0.000
8	45	116,488	750.443	172	1.729	114,361	576.234	1,955	172.480	-	0.000
9	26	81,141	624.035	508	3.810	78,503	429.323	2,130	190.902	-	0.000
10	89	315,394	1,640.329	3,113	58.474	306,344	1,123.153	5,937	458.702	-	0.000
11	77	289,264	2,085.420	8,107	302.719	275,564	1,161.401	5,593	621.300	-	0.000
12	62	204,338	1,100.159	4,710	57.383	187,749	834.448	11,879	208.328	-	0.000
CAR	39	111,411	1,084.881	735	12.838	108,651	831.857	2,025	240.186	-	0.000
ARMM	5	12,117	90.507	-	0.000	12,087	88.207	30	2.300	-	0.000
CARAGA	54	270,453	1,598.587	6,806	41.179	260,821	1,254.398	2,826	303.010	-	0.000
TOTAL	**1,902**	**4,874,414**	**58,464.301**	**86,208**	**1,190.720**	**4,618,142**	**40,105.646**	**170,064**	**17,167.935**	-	**0.000**

Philippine Map by Region

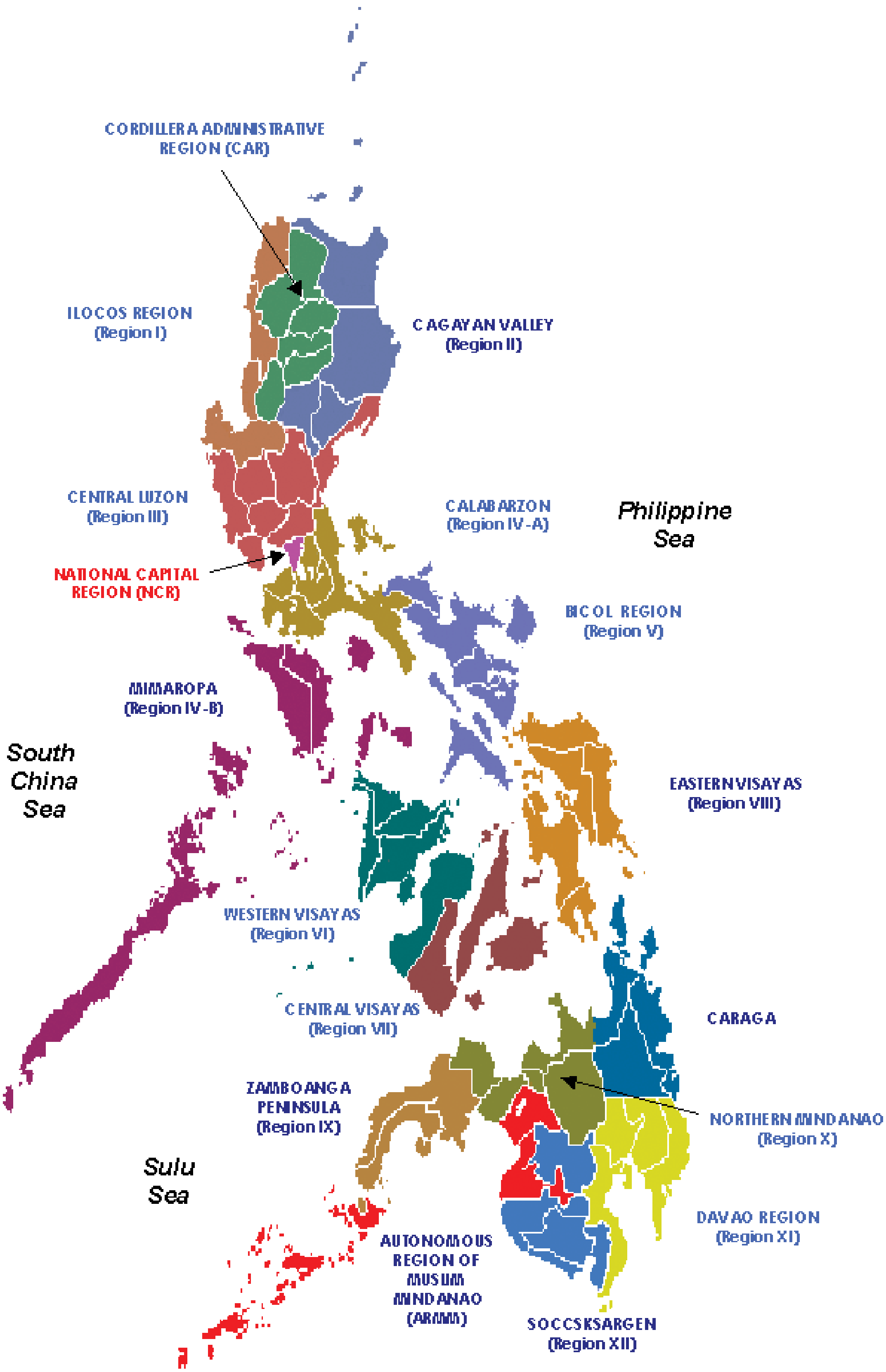


Table 5

Percentage Share of Domestic Deposit by Region

As of June 30, 2003

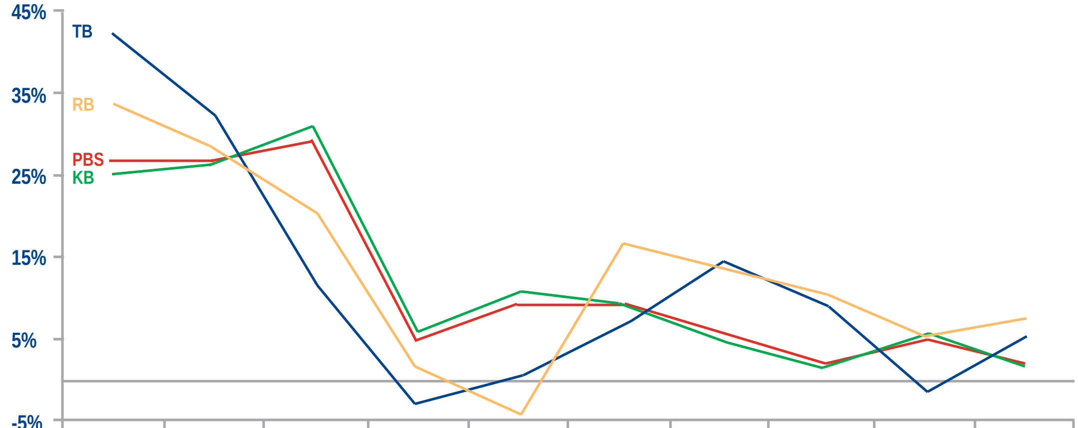
Region	Bank Type	No. of Offices	DEPOSITS Amounts (In Millions) A	% to Industry	Accounts (In Absolute Figure) B	Average Size (In Millions) C=A/B	% Share by Region
NCR	KB	1,991	1,493,374.04	62.8	8,664,899	0.17	92.5
	TB	503	117,018.42	4.9	1,272,314	0.09	7.2
	RB	67	4,033.24	0.2	159,443	0.03	0.2
	Sub-Total	**2,561**	**1,614,426.70**	**67.9**	**10,096,656**	**0.16**	**100.0**
1	KB	436	43,687.20	1.8	743,455	0.06	83.2
	TB	258	3,577.81	0.2	75,055	0.05	6.8
	RB	448	5,218.68	0.2	371,558	0.01	9.9
	Sub-Total	**1,142**	**52,483.68**	**2.2**	**1,190,068**	**0.04**	**100.0**
2	KB	256	18,482.93	0.8	350,931	0.05	86.0
	TB	101	696.80	*	17,591	0.04	3.2
	RB	125	2,309.76	0.1	207,507	0.01	10.7
	Sub-Total	**482**	**21,499.49**	**0.9**	**576,029**	**0.04**	**100.0**
3	KB	327	93,584.57	3.9	1,410,964	0.07	79.5
	TB	159	13,903.39	0.6	263,407	0.05	11.8
	RB	299	10,301.00	0.4	643,424	0.02	8.7
	Sub-Total	**785**	**117,788.96**	**5.0**	**2,317,795**	**0.05**	**100.0**
4-A	KB	221	120,429.75	5.1	2,034,047	0.06	75.2
	TB	44	22,390.77	0.9	458,663	0.05	14.0
	RB	119	17,398.22	0.7	1,179,710	0.01	10.9
	Sub-Total	**384**	**160,218.74**	**6.7**	**3,672,420**	**0.04**	**100.0**
4-B	KB	140	8,490.23	0.4	160,433	0.05	80.6
	TB	37	697.24	*	56,625	0.01	6.6
	RB	183	1,341.24	0.1	173,701	0.01	12.7
	Sub-Total	**360**	**10,528.70**	**0.4**	**390,759**	**0.03**	**100.0**
5	KB	133	21,935.06	0.9	433,752	0.05	82.9
	TB	29	1,805.75	0.1	83,891	0.02	6.8
	RB	77	2,723.89	0.1	221,550	0.01	10.3
	Sub-Total	**239**	**26,464.73**	**1.1**	**739,193**	**0.04**	**100.0**
6	KB	114	65,937.17	2.8	1,029,566	0.06	92.0
	TB	34	3,028.34	0.1	61,400	0.05	4.2
	RB	89	2,685.25	0.1	278,934	0.01	3.7
	Sub-Total	**237**	**71,650.76**	**3.0**	**1,369,900**	**0.05**	**100.0**
7	KB	97	111,368.59	4.7	1,108,529	0.10	89.1
	TB	27	10,205.81	0.4	227,925	0.04	8.2
	RB	90	3,478.68	0.1	237,981	0.01	2.8
	Sub-Total	**214**	**125,053.09**	**5.3**	**1,574,435**	**0.08**	**100.0**
8	KB	55	17,902.39	0.8	353,543	0.05	93.1
	TB	12	572.91	*	13,892	0.04	3.0
	RB	39	750.44	*	116,488	0.01	3.9
	Sub-Total	**106**	**19,225.74**	**0.8**	**483,923**	**0.04**	**100.0**
9	KB	76	22,279.01	0.9	369,463	0.06	94.5
	TB	7	665.19	*	10,388	0.06	2.8
	RB	26	624.04	*	81,141	0.01	2.6
	Sub-Total	**109**	**23,568.23**	**1.0**	**460,992**	**0.05**	**100.0**
10	KB	92	29,809.64	1.3	499,973	0.06	89.3
	TB	10	1,943.43	0.1	69,596	0.03	5.8
	RB	62	1,640.33	0.1	315,394	0.01	4.9
	Sub-Total	**164**	**33,393.39**	**1.4**	**884,963**	**0.04**	**100.0**
11	KB	70	39,555.17	1.7	524,439	0.08	89.9
	TB	8	2,376.18	0.1	54,406	0.04	5.4
	RB	117	2,085.42	0.1	289,264	0.01	4.7
	Sub-Total	**195**	**44,016.77**	**1.9**	**868,109**	**0.05**	**100.0**
12	KB	71	20,294.02	0.9	431,826	0.05	92.0
	TB	6	656.96	*	17,571	0.04	3.0
	RB	45	1,100.16	*	204,338	0.01	5.0
	Sub-Total	**122**	**22,051.15**	**0.9**	**653,735**	**0.03**	**100.0**
CAR	KB	39	20,703.35	0.9	296,626	0.07	86.4
	TB	6	2,179.79	0.1	35,701	0.06	9.1
	RB	54	1,084.88	*	111,411	0.01	4.5
	Sub-Total	**99**	**23,968.02**	**1.0**	**443,738**	**0.05**	**100.0**
ARMM	KB	39	1,910.23	0.1	68,790	0.03	95.5
	TB	23	-	-	-	-	-
	RB	57	90.51	*	12,117	0.01	4.5
	Sub-Total	**119**	**2,000,736**	**0.1**	**80,907**	**0.02**	**100.0**
CARAGA	KB	15	8,924.07	0.4	188,050	0.05	83.6
	TB	-	147.46	*	13,642	0.01	1.4
	RB	5	1,598.59	0.1	270,453	0.01	15.0
	Sub-Total	**20**	**10,670.11**	**0.4**	**472,145**	**0.02**	**100.0**
Total		**7,330**	**2,379,008.99**	**100.0**	**26,275,767**	**0.09**	

** Signifies insignificant deposit amount relative to total domestic deposit.*

Growth in Domestic Deposits

Figure 2

Growth in Amounts *(in %)*

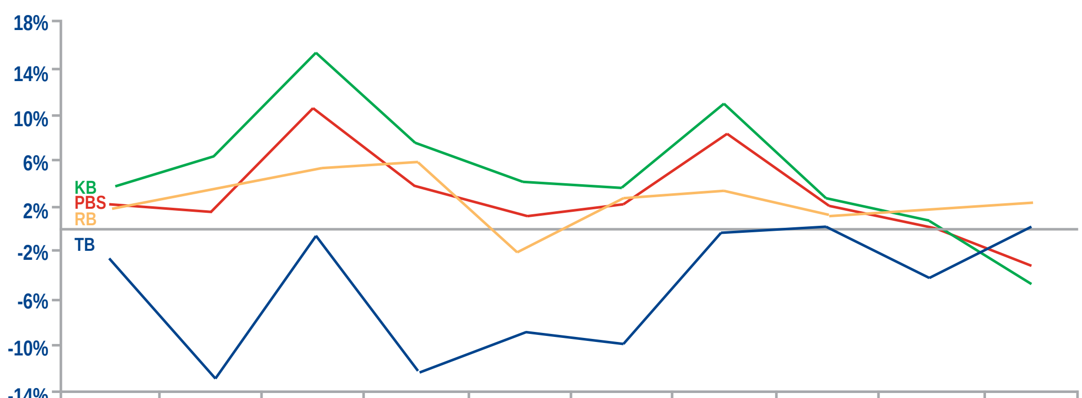


	Dec-1995	Dec-1996	Dec-1997	Dec-1998	Dec-1999	Dec-2000	Dec-2001	Jun-2002	Dec-2002	Jun-2003
PBS	26.79	26.83	28.99	4.86	9.25	9.22	5.66	2.06	4.76	1.69
KB	25.22	26.20	31.03	5.64	10.33	9.28	4.84	1.28	5.29	1.26
TB	42.51	32.62	12.02	-2.80	0.11	6.41	14.36	9.23	-1.42	5.28
RB	33.56	28.28	20.47	1.64	-4.27	16.48	13.81	10.45	5.32	7.26

Note: From Jun-2002 onwards, growth rates are computed on a semestral basis.

Figure 3

Growth in Accounts *(in %)*



	Dec-1995	Dec-1996	Dec-1997	Dec-1998	Dec-1999	Dec-2000	Dec-2001	Jun-2002	Dec-2002	Jun-2003
PBS	2.02	1.54	10.47	3.81	1.03	1.67	8.12	2.09	0.20	-3.16
KB	4.01	6.33	15.54	7.49	4.11	3.65	10.77	2.56	0.52	-4.92
TB	-2.72	-12.60	-0.68	-12.20	-9.02	-10.05	-0.23	0.41	-4.34	0.11
RB	1.77	3.28	5.34	5.89	-2.09	2.65	3.28	1.20	1.66	2.21

Note: From Jun-2002 onwards, growth rates are computed on a semestral basis.

Unsubmitted Reports

As of June 30, 2003 Reference Period

Bank Type	Type of Report				
	SOC	SE	RBCAR	C-18	BDL
Commercial Banks	-	-	-	-	-
Sub-Total	-	-	-	-	-
Thrift Banks	1	1	1	1	2
Sub-Total	1	1	1	1	2
Rural Banks : Regions					
NCR	-	-	-	-	-
1	-	-	-	1	1
2	-	-	-	-	3
3	4	7	-	6	10
4A	2	2	-	3	5
4B	4	4	-	5	2
5	3	2	-	4	2
6	5	5	-	7	4
7	3	2	-	3	1
8	2	1	-	4	1
9	1	1	-	1	-
10	5	6	-	6	1
11	-	3	-	4	-
12	-	-	-	-	6
CAR	-	-	-	1	1
ARMM	2	1	-	1	-
CARAGA	-	-	-	-	-
Sub-Total	31	34	-	46	40
Grand Total	32	35	1	47	42

Glossary of Terms and Notes

Selected Accounts

1. **Quick Assets.** *Highly liquid assets composed of Cash on Hand, Checks & Other Cash Items, Due from BSP, Due from Banks, Due from PCHC, Trading Account Securities (TAS Equity & Investments), Available for Sale Securities (ASS) and IBODI-Government. For RBs, Quick Assets is composed of Cash on Hand, Checks & Other Cash Items, Due from BSP, Due from Banks and IBODI-Government.*

2. **Interest Earning Assets**. *Assets which generate interest income, such as Due from BSP, Due from PCHC, Due from Banks, TAS, ASS, IBODI and Current Loans. For RBs Interest Earning Assets consist of Due from BSP, Due from Banks, IBODI and Current Loans.*

3. **Non-Performing Loans (NPL)**. *Defined under BSP Circular No. 202 dated 5/27/99, as amended by Circular No. 248 dtd 6/26/00 and Circular No. 351 dtd 9/19/02.*

4. **Non-Performing Assets (NPA)**. *NPL, ROPOA (Real Properties Owned or Acquired) and Non-Performing portion of Sales Contract Receivables (SCR).*

5. **Gross Problematic Assets (GPA)**. *NPA and Current Restructured Loans.*

6. **Loan Loss Provision (LLP)**. *The sum of Specific and General Loan Loss Provision.*

7. **Total Allowance**. *LLP and allowance for ROPOA.*

Selected Ratios

8. **Risk Assets Ratio**. *Capital divided by Risk Assets. Capital is net of Appraisal Increment Reserves, Net Unrealized Gain on Securities Available for Sale (SAS), Deferred Income Tax, Goodwill and Unsecured DOSRI. Risk Assets is Total Assets net of Non-Risk Assets, Goodwill, Unsecured DOSRI and Accumulated Market Gain on private issuances (i.e. Underwriting Debt & Equity Securities Purchased, ASS excluding Accumulated Market Gain on ASS-Government).*

   (Non-Risk Assets. Cash on Hand, Due from BSP, Due from PCHC, TAS Investments, ASS-Government, IBODI-Government, Bank Premises and Deferred Income Tax).

9. **Risk Based Capital Adequacy Ratio (RBCAR)**. *Qualifying Capital divided by Risk Weighted Assets sourced from bank submitted report. Due to unavailability of data for RBs, Capital to Risk Assets was used to represent RBCAR.*

10. ***NPL to Capital***. *NPL is defined under note #3. Capital is net of Appraisal Increment Reserves, Net Unrealized Gain on SAS, Deferred Income Tax, and Goodwill plus Total Allowance.*

11. ***NPA to Capital.*** *NPA is defined under #4. Capital is as defined under footnote #10.*

12. ***GPA to Capital.*** *GPA is defined under #5. Capital is as defined under note #10.*

13. **Return on Equity (ROE)**. *Annualized Net Income After Tax (NIAT) divided by Average Equity (i.e. sum of Current Period and Previous Year-end Booked Capital divided by 2)*

14. **Return on Asset (ROA)**. *Annualized NIAT divided by Average Total Assets (i.e. sum of Current Period and Previous Year-end Total Assets divided by 2).*

15. **Net Interest Margin (NIM)**. *Annualized Net Interest Income divided by Average Interest Earning Assets as defined under note #2.*

16. **Operating Efficiency**. *Computed by dividing the sum of Other Operating Expenses and Provision Expense by the sum of Net Interest Income and Other Operating Income.*

17. **Non-Operating Income (Non-OI) to Net Income Before Tax (NIBT).** *Measures level of reliance to non-recurring, extraordinary income in generating revenues. These non-operating income are generally realized from the disposal/sale of ROPOA.*

Notes

Tables 1 & 2 — *Source: Consolidated Statement of Condition and Consolidated Statement of Income and Expenses*
Note : Commercial banks data include accounts in overseas branches of Philippine banks. SGB refers to Specialized Gov't Banks (Land Bank of the Philippines, Development Bank of the Philippines and Al-Amanah Islamic Investment Bank) which are considered Commercial Banks.

Table 3 — *Source: Consolidated Report on Domestic Deposit Liabilities by Size of Account*

Tables 4 & 5 — *Source: Report on Breakdown of Deposit Liabilities by Type (BDL)*
Notes: Domestic deposits exclude deposits in overseas branches of Philippine banks.
Banking offices refer to Head Offices, Branches, Money Shops, Extension Offices and Saving Agencies of banks as reported. Total Deposit amount may not tally when comparing deposit data of different tables due to various sources and processing methodology applied as explained in the caveat.

**INDUSTRY SCAN provides statistical information culled from PDIC's databases on live and closed banks.*

About IADI

The International Association of Deposit Insurers (IADI) is a non-profit organization formed to contribute to the stability of the financial systems by promoting international cooperation in the field of deposit insurance and to encourage global interaction among deposit insurers and other interested parties. Its primary vision is to provide a venue where knowledge and expertise on deposit insurance can be openly shared with the world towards enhancing the understanding of common interests and issues related to deposit insurance. It also seeks to set out guidance to help the global financial community in establishing effective deposit insurance systems that would be responsive to the changing socio-cultural and political-economic landscapes in the world today. IADI also aims to encourage international network of contacts to ensure the continuous sharing of information on deposit insurance, undertake significant research pertinent to reform agenda, formulate training and educational programs and provide meaningful discussion on deposit insurance issues.

IADI has seven (7) committees consisting of: (1) Training and Conference Committee that is mandated to assess the needs of the members, manage the resources of the participants and work with IADI partners and other interested parties on training and development matters; (2) Research and Guidance Committee that is responsible for developing guidance to enhance the effectiveness of deposit insurance systems; (3) Membership and Communications Committee that handles the communication matters for the IADI and considers and makes recommendations concerning admission of Members, Associates, and Observers; (4) Finance and Planning that monitors the financial resources of the Association, prepares business plans and budgets, and reports on the financial position of IADI; (5) Governance Committee is composed of the chairs of the other IADI committees that is responsible for establishing and implementing by-laws and policies governing the business and affairs of IADI, establishing codes of conduct and behavior. (6) Regional Committees were created for Africa, Asia, the Caribbean, Eurasia, and Latin America to reflect regional interests and common issues through the sharing and exchange of information and ideas. The Chairs of the Regional Committees are responsible for recommending or proposing action to the Executive Council and communicating plans and activities and reporting on their activities at each meeting of the Executive Council to ensure focus and transparency.

For more information on IADI, visit its website at *www.iadi.org*.

PDIC President is IADI Exec Council Member

PDIC President and Chief Executive Officer Ricardo M. Tan was elected to the 21-member Executive Council of the International Association of Deposit Insurers (IADI) during its 2nd Annual Conference, October 23-24 in Lotte Hotel, Seoul, South Korea. Former President and CEO Norberto C. Nazareno was a member of the Executive Council. When Mr. Nazareno resigned from PDIC, the Executive Council position was likewise vacated. During the session on key issues for deposit insurers, Mr. Tan underscored the need for expanded information sharing and joint database with the bank supervisor, the restoration of PDIC's examination powers and the lifting of the Deposit Secrecy Law in his presentation, *How Deposit Insurers Get the Information They Need to Do Their Job.*

The conference includes presentations covering deposit insurance as an integral part of the financial safety net system, strategies to promote effective deposit insurance systems, interrelationships among banking safety net players, guidance on differential premiums and lessons learned from dealing with institutional failures.

The Philippines is a founding member of IADI, a non-profit organization, established on May 6, 2002 to contribute to the stability of the financial systems by promoting international cooperation in the field of deposit insurance, and encourage global interaction among deposit insurers and interested parties.

PDIC, together with other deposit insurance corporations in the Far East, namely, Japan, Korea, and Taiwan are at the forefront of the affiliated regional chapter of IADI, the Asian Regional Council (ARC).

Guidance for developing effective deposit insurance systems

The Financial Stability Forum (FSF), at its March 2002 meeting in Singapore, endorsed the report of a study group and concurred that, in light of the fact that many countries were considering implementing some form of deposit insurance, it would be desirable to set out some form of international guidance. Forum members underscored that the development of such guidance should be undertaken through a consultative process that would include all the parties that are interested in deposit insurance issues, so as to ensure that the guidelines are reflective of, and adaptable to, the broadest set of circumstances, settings and structures.

The Forum asked Jean Pierre Sabourin, President and Chief Executive Officer of the Canada Deposit Insurance Corporation, to chair a working group that would carry out the task of setting out guidance for effective deposit insurance systems. The final report of the Working Group on Deposit Insurance was discussed and endorsed by the Forum in London, on September 7, 2001.

The FSF report on deposit insurance is built on three general findings. First, explicit and limited deposit insurance is preferable to implicit coverage if it clarifies obligations to depositors and creditors and limits the scope for discretionary decisions that may result in arbitrary actions. Second, deposit insurance systems must be properly designed, well implemented and understood by the public to be credible and avoid moral hazard. Third, to be effective, the deposit insurance function needs to be part of a well-designed financial safety net, supported by strong prudential regulation and supervision, effective laws that are enforced, and sound accounting and disclosure regimes.

The report proposes a general method for the benefit of countries considering the adoption or the reform of an explicit, limited-coverage deposit insurance system. It first presents the contextual issues related to different forms of depositor protection and identifies the issues that need to be addressed when adopting or reforming a deposit insurance system. It then sketches out the design features that help to ensure the effectiveness and credibility of a system, and finally outlines the key issues and considerations involved in resolution options, the reimbursement of depositors, and claims and recoveries.

It is the conviction of the FSF that this report, with such a pragmatic approach, will serve its role as a useful tool for policymakers who want to design deposit insurance systems that preserve the benefits of heightened financial stability and small depositors' protection, without at the same time increasing moral hazard or reducing market discipline.

Introduction

The Financial Stability Forum (FSF) was created in 1999 to promote international financial stability, to improve the functioning of markets, and to reduce systemic risk. In recognition of the increasing use of deposit insurance as an integral component of an effective financial safety net, the FSF established a Study Group on Deposit Insurance. The Study Group was asked to assess the desirability and feasibility of setting out international guidance on deposit insurance arrangements. The Study Group's report was tabled at a meeting of the FSF in March 2000. On the basis of the conclusions in that report, the FSF invited Mr. Jean Pierre Sabourin, President and Chief Executive Officer, Canada Deposit Insurance Corporation, to constitute a Working Group on Deposit Insurance (the Working Group) to develop such guidance and to deliver a final report to the FSF by September 2001.[1]

[1] The Working Group was comprised of representatives from Argentina, Canada, Chile, France, Germany, Hungary, Italy, Jamaica, Japan, Mexico, Philippines, the United States of America, the World Bank and the International Monetary Fund.

The mandate of the Working Group was to develop guidance on sound deposit insurance arrangements for countries considering the adoption of a deposit insurance system or the reform of an existing one. The mandate specified that such guidance should be developed through a consultative process that included countries interested in deposit insurance issues. The guidance was to be reflective of, and adaptable to, the broadest set of circumstances, settings and structures.

In fulfilling its mandate the Working Group engaged in a wide range of activities. These included the publication of a series of business plans and discussion papers on specific issues[2], outreach sessions, seminars, conferences, utilization of a Website to solicit feedback and share knowledge, and the production of this Final Report. The discussion papers identified critical issues associated with adopting an explicit, limited coverage deposit insurance system or with reforming an existing one. The Working Group met with over 400 people from over 100 countries and they have been kept fully informed about the development of the guidance topics.

Key Points of Guidance

The Working Group was asked to develop guidance for the benefit of countries considering the adoption or the reform of an explicit, limited-coverage deposit insurance system. The following points of guidance summarize the main conclusions and suggestions by the Working Group to help policymakers design, implement and continually assess a deposit insurance system. These points are reflective of, and adaptable to, a broad set of circumstances, settings and structures.

A deposit insurance system can deal with a limited number of simultaneous bank failures, but cannot be expected to deal with a systemic banking crisis by itself.

1. Contextual issues

(a) Policymakers have many choices regarding how they can protect depositors. Explicit, limited coverage deposit insurance ("a deposit insurance system") is preferable to implicit protection if it clarifies the authorities' obligations to depositors and limits the scope for discretionary decisions that may result in arbitrary actions. However, such a system needs to be properly designed, well implemented and understood by the public in order to be credible. It also needs to be supported by strong prudential regulation and supervision, sound accounting and disclosure regimes, and the enforcement of effective laws.

(b) A deposit insurance system can deal with a limited number of simultaneous bank failures, but cannot be expected to deal with a systemic banking crisis by itself.

2. Moral hazard

(a) A well-designed financial safety net contributes to the stability of the financial system; however, if poorly designed, it may increase risks, notably, moral hazard. Good corporate governance and sound risk management of individual banks, effective market discipline, and frameworks for strong prudential regulation, supervision and laws, can mitigate moral hazard and these elements are most effective when used in concert.

(b) Good corporate governance and sound risk management of individual banks help to ensure that business strategies are consistent with safe-and-sound operations, and thus can act as the first line of defence against excessive risk taking. Good corporate governance and sound risk management includes standards, processes, and systems for ensuring appropriate direction and oversight by directors and senior managers; adequate internal controls and audits; management of risks and the evaluation of bank performance; the alignment of remuneration with appropriate business objectives; and management of capital and liquidity positions. Effective market discipline requires sound accounting and disclosure regimes and the ongoing attention to a bank's soundness by rating agencies, market analysts, financial commentators and other professionals. Regulatory discipline can be exercised through effective regulation covering the establishment of new banks, the imposition of minimum capital requirements, the qualifications of directors and managers, sound business activities, a fit-and-proper test for controlling shareholders, standards for risk management, strong internal controls and external audits. Supervisory discipline can be exercised by ensuring that banks are monitored for safety and soundness as well as compliance issues and that corrective actions are taken promptly when problems

[2] *For a more in-depth examination of the topics presented in this report, visit: www.fsforum.org.*

The strength of prudential regulation and supervision will have implications for the effectiveness of a deposit insurance system.

surface, including the closure of banks when necessary.

(c) Ensuring that a deposit insurance system contains certain design features can also mitigate moral hazard. These features may include: placing limits on the amounts insured; excluding certain categories of depositors from coverage; using certain forms of coinsurance; implementing differential or risk-adjusted premium assessment systems; minimizing the risk of loss through early closure of troubled banks; and demonstrating a willingness to take legal action, where warranted, against directors and others for improper acts.

3. Public policy objectives

(a) The first step in designing a deposit insurance system is to identify the public policy objectives that it is expected to achieve and these objectives must be well understood. The principal objectives for deposit insurance systems are to contribute to the stability of the financial system and to protect less-financially-sophisticated depositors. The choice of how a deposit insurance system is to be operated depends on many factors that are unique to each country and its governmental and financial systems.

(b) A continuous-improvement process should exist for reviewing the extent to which a deposit insurance system is meeting its public policy objectives and its mandate.

4. Situational analysis

(a) Policymakers should conduct a situational analysis when adopting or reforming a deposit insurance system. This analysis should examine conditions and factors such as: the level of economic activity; current monetary and fiscal policies; the state and structure of the banking system; public attitudes and expectations; the legal framework; prudential regulatory, supervisory, accounting and disclosure regimes.

(b) Where existing conditions and factors are not ideal, it is important to identify gaps and thoroughly evaluate the options available since the establishment of a deposit insurance system is not a remedy to deal with major deficiencies. If actions are necessary, they can be taken before, or in concert with, the adoption or reform of a deposit insurance system.

(c) Deposit insurance systems cannot be effective if relevant laws do not exist or if the legal regime is characterized by inconsistencies.

(d) The strength of prudential regulation and supervision will have implications for the effectiveness of a deposit insurance system. Strong prudential regulation and supervision should allow only viable banks to operate. Banks should be well capitalised and follow sound-and-prudent risk management, governance and other business practices.

5. Transitioning from a blanket guarantee to a deposit insurance system

(a) When transitioning, policymakers should pay particular attention to public attitudes and expectations. Countries with a high level of capital mobility, and/or a regional integration policy, should consider the effects of different countries. protection levels and other related policies.

(b) If a country decides transition from a blanket guarantee to a deposit insurance system, the transition should be as rapid as a country's circumstances permit. A country considering such a transition should undertake the same type of situational analysis as a country moving from implicit protection to a deposit insurance system. In addition, three special issues will need to be considered. First, how to allay fears because protection for depositors and other creditors is being reduced. Second, policymakers should consider the capacity of the banking system to fund a new deposit insurance system. The third issue concerns how fast the transition should proceed.

6. Self-assessment methodology (SAM)

Policymakers should consider the use of an iteractive self-assessment methodology to assist them in the design, implementation, modification and continuous assessment of a deposit insurance system.

7. Mandate and powers

(a) There is no single mandate or set of mandates suitable for all deposit insurers. Existing deposit insurers have mandates ranging from narrow, so-called "paybox" systems to those with broader powers and responsibilities, such as risk minimization with a variety of combinations in between. Whatever the mandate selected, it is critical that there be consistency between the stated objectives and the powers and responsibilities given to the deposit insurer.

(b) Formally specifying the mandate of a deposit insurer (either in law, in a formal policy statement, an agreement or by private contract) clarifies the role of deposit insurance within the financial safety net. Clarity of the mandate reinforces the stability of the financial system and contributes to sound governance and greater accountability.

(c) As a general principle, a deposit insurer should have all powers necessary to fulfill its mandate. All deposit insurers require the ability to enter into contracts, set appropriate requirements, and access timely and accurate information to ensure that they can meet their obligations to depositors promptly.

8. Structure

Policymakers must determine whether the deposit insurance function should be assigned to an existing organization or whether a separate entity should be established. Regardless of how the deposit insurance system is structured, it is vitally important to set clearly the responsibility and accountability of each safety-net function.

9. Governance

(a) The form of governance utilized in a deposit insurance system should reflect the mandate and the degree to which the deposit insurer is legally separated from the other financial safety-net participants. The governing body of the deposit insurance system should include individuals with requisite knowledge to understand the organization's activities and the environment in which it operates, and they should have the authority to make decisions. The deposit insurer should have access to the input and views of the other safety-net participants and relevant interested parties. Members of the governing body and management of the deposit insurer should be subject to a fit-and-proper test, and they should be free from conflicts of interest.

The form of governance utilised in a deposit insurance system should reflect the mandate and the degree to which the deposit insurer is legally separated from the other financial safety net participants.

(b) Governance systems and practices should be developed on the basis of sound strategic planning, risk-management processes, and good internal-control and audit systems. The governance structure should be transparent and subject to clear oversight and accountability. Rules specifying corporate governance practices should be developed.

10. Human resources and statutory indemnification

(a) The ability to attract and retain qualified employees is a key challenge for most deposit insurers. Deposit insurers may meet this challenge by: the use of dedicated resources, access to the resources of other financial safety-net participants and/or reliance on outside service providers.

(b) The importance of statutory indemnification should be recognized and employees of the deposit insurance system should receive legal protection against lawsuits for their actions taken in good faith. The lack of legal protection for employees can reduce incentives to be vigilant in carrying out their responsibilities, particularly in cases where mandates emphasize early detection, intervention and closure of troubled banks.

11. Interrelationships among safety-net participants

(a) When a single organization performs all of the safety-net functions the smooth resolution of potential tensions is dependent on clarity of mandates and an adequate accountability regime among the relevant departments. However, when the functions are assigned to different organizations, issues related to information sharing, allocation of powers and responsibilities, and coordination of actions among the different functions is more complex and need to be addressed clearly and explicitly.

(b) A deposit insurer's information needs vary significantly according to its mandate and powers, but the need for close coordination and information sharing among safety-net participants is essential in all cases. Rules regarding confidentiality of information should apply to all safety-net participants.

(c) It is highly desirable to formalize information-sharing arrangements either through legislation, memoranda of understanding, legal agreements, or a combination of these techniques. These arrangements may also be useful in providing a general framework for safety-net participants to coordinate their related activities.

12. Membership

(a) Banks that are to be included in a deposit insurance system should be subject to strong prudential regulation and supervision.

(b) In general, membership should be compulsory to avoid adverse selection.

(c) Policymakers should determine whether eligible banks will be given membership automatically or whether they should be required to apply for entry. The latter option provides a degree of flexibility for the deposit insurer to control the risks it assumes by establishing entry criteria. It can also serve to enhance compliance with prudential requirements and standards. In such cases, an appropriate transition plan should be in place that details the criteria, process and time frame for attaining membership and the criteria should be transparent.

(d) Appropriate mechanisms are necessary to ensure that membership requests are handled expeditiously and effectively, and that eligible banks are required to meet minimum prudential standards and entry requirements.

(e) Policymakers take different approaches in deciding which financial institutions should be covered by deposit insurance. Domestic banks are the principal members of most deposit insurance systems; in some countries, foreign banks and branches, non-bank financial institutions, and state-owned banks also are members. Such entities might be included to enhance the stability of the financial system, to ensure competitive equity, to diversify the deposit insurer's risks, and to apply prudential regulatory and supervisory rules to non-bank financial institutions that accept deposits and deposit-like products.

The deposit insurer should ensure that funds are well managed and readily available to cover losses as they arise.

13. Coverage

(a) Policymakers should define clearly in law or by private contract what is an insurable deposit. In doing so, they should consider the relative importance of different deposit instruments, including foreign-currency deposits and the deposits of non-residents, in relation to the public-policy objectives of the system.

(b) The level of coverage can be set through an examination of relevant data, such as statistical information describing the size distribution of deposits held in banks. Whatever coverage level is selected, it must be credible and internally consistent with other design features, and meet the public-policy objectives of the system.

(c) Given the importance of effectively limiting coverage and contributing to financial system stability, as well as keeping the requirement for information reasonable, it is preferable to apply deposit insurance on a per depositor per bank basis.

(d) One approach to foster market discipline and to reduce somewhat the costs of deposit insurance is the use of coinsurance. If coinsurance is adopted, it should be applied above a certain amount. This will provide individuals holding small account balances full protection against the risk of loss, while maintaining the incentive for depositors holding larger account balances to monitor banks. In order for coinsurance to be effective, extensive information needs to be provided to the public regarding the financial condition of banks.

(e) Coverage limits may need to be adjusted periodically because of inflation, the growth of real income, the development of new financial instruments, and the way in which these factors influence the composition and size of deposits. (page 25)

(f) The decision whether to cover deposits denominated in foreign currencies depends heavily on a country's usage of foreign currency. When usage is high, it would be of little value to institute a deposit insurance system without covering these deposits. An important decision is whether to reimburse insured deposits in local or in foreign currency when a bank fails. Policymakers should ensure that banks have sound foreign-exchange risk-management systems and controls in place. Furthermore, the deposit insurer should develop sound policies and procedures to manage prudently any foreign-exchange risk it faces. In designing such policies and procedures, the deposit insurer may wish to draw on the expertise residing in banks.

14. Funding

(a) Sound funding arrangements are critical to the effectiveness of a

The characteristics of a deposit insurance system need to be publicised regularly so that its credibility can be maintained and strengthened.

deposit insurance system and the maintenance of public confidence. A deposit insurance system should have available all funding mechanisms necessary to ensure the prompt reimbursement of depositors' claims. Inadequate funding can lead to delays in resolving failed banks, to significant increases in costs and to a loss of credibility of a deposit insurance system.

(b) Member banks should pay the cost of deposit insurance since they and their clients directly benefit from having an effective deposit insurance system. However, policymakers should consider the effect of premium levels on the financial health of the banking industry.

(c) Policymakers should choose an assessment base against which a given premium rate will be applied.

(d) The deposit insurer should ensure that funds are well managed and readily available to cover losses as they arise. This can be accomplished by implementing appropriate investment policies and procedures, and by instituting sound internal controls, disclosure and reporting systems.

(e) In practice, deposit insurance systems often are funded on a combined *ex-ante* and *ex-post* basis. The advantages and disadvantages with *ex-ante* and *ex-post* funding are generally applicable to hybrid funding arrangements.

(f) In principle, there are two approaches available to establishing a deposit insurance fund. One approach is to assess a steady premium rate over a long period, while the other involves developing a premium system designed to maintain a target fund ratio or range. If the target fund ratio method is chosen it should be sufficient to reduce the probability of the fund's insolvency to an acceptable minimum, although estimating probabilities of loss is very complicated in practice.

(g) A case can be made either for establishing and maintaining one fund or for establishing and maintaining separate funds for different types of financial institutions that accept deposits from the public. If separate funds are established, policymakers should ensure that distinctions among the institutions and their funds do not contribute to competitive distortions.

(h) Policymakers have a choice between a flat-rate premium system or a premium system that is differentiated on the basis of individual-bank risk profiles. The bases and criteria used in a risk-adjusted differential premium system should be transparent to all participants. As well, policymakers who adopt risk-adjusted differential premium systems should ensure that necessary resources are in place to administer the system appropriately. If policymakers choose to adopt risk-adjusted differential premiums, consideration should be given to the advantages and disadvantages of keeping the risk profiles of individual banks confidential.

15. Public awareness

In order for a deposit insurance system to be effective, it is essential that the public be informed about its benefits and limitations. Experience has shown that the characteristics of a deposit insurance system need to be publicized regularly so that its credibility can be maintained and strengthened.

16. Cross-border issues

(a) If the host-country system provides supplementary coverage, multiple reimbursements of insured depositors should be avoided. The deposit insurance already provided by the home-country system should be recognized in the determination of levies and premiums.

(b) Provided confidentiality is ensured, all relevant information should be exchanged between deposit insurers in different jurisdictions and possibly between deposit insurers and other foreign safety-net participants when appropriate. In any case, deposit insurers should receive all information necessary to enable a prompt reimbursement of depositors' claims and to enable them to meet their mandate.

17. Failure resolution

(a) Cooperation among the various financial safety-net participants, both before and after a failure, is essential if troubled banks are to be handled in a timely and effective manner.

(b) The determination and recognition of when a bank is in serious financial difficulty should be made on the basis of well-defined and transparent criteria by a safety-net participant with authority to act. Prompt and decisive actions are crucial to reduce the cost of a bank failure, but care needs to be taken to address confidentiality issues to protect the exchange of information among financial safety-net participants.

(c) An effective failure-resolution process should: meet the deposit insurer's obligations, ensure that depositors are reimbursed promptly and accurately, minimize resolution costs and disruption of markets, maximize recoveries on assets, settle *bona-fide* claims on a timely and equitable basis, and reinforce discipline through legal actions in cases of negligence or other wrongdoings.

(d) Three basic failure resolution options exist: liquidation and reimbursement of depositors' claims; purchase-and-assumption transactions (sales); and open-financial assistance. Bankruptcy/insolvency and other laws may heavily influence the choice of resolution methods since such laws vary considerably among countries and, in some cases, may make a particular resolution method difficult to implement. Because of the special significance of banks and bank failures, policymakers may wish to review whether bankruptcy/insolvency laws facilitate the orderly exit of troubled banks.

18. Reimbursing depositors

(a) Systems and processes should be developed in order to undertake preparatory reviews of deposit liabilities held by troubled banks. This requires development of administrative practices and procedures and the ongoing review of the quality and security of bank deposit records.

(b) The deposit insurer should know, as soon as possible, when a bank will be closed. Access to the necessary deposit data before the bank is closed lessens the risk of manipulation of records, shortens the time for completing the reimbursement process, and helps preserve public confidence.

Transparency and access to information are key factors in marketing failed-bank assets.

(c) The reimbursement process should be evaluated *ex-post* to incorporate lessons learned.

19. Claims and recoveries

(a) The powers provided to the entity responsible for the claims-and-recoveries function should be guided by applicable laws and should include control of the failed bank's assets; contract rights and privileges; the ability to allow or disallow claims; the capability to enforce or repudiate certain contractual obligations; and the ability to challenge fraudulent transfers and transactions. (page 36)

(b) Asset-management and disposition strategies should be guided by commercial considerations and their economic merits, given the quality of the assets, the depth and condition of markets, the availability of expertise in asset management and disposition, legal requirements relating to the disposition of assets, and public-policy objectives.

(c) Transparency and access to information are key factors in marketing failed-bank assets. In principle, a wide range of methods is available for disposition of the assets of failed banks, including: asset-by-asset sales; auctions or sealed bids; asset pools; securitization; asset-management companies; and equity partnerships.

(d) Claims and litigation advanced by the failed bank or the receiver/liquidator against directors, officers, auditors and other parties related to the bank failure are potentially important assets. These claims may result in significant recoveries and may serve as a tool for fostering discipline in the banking sector. For these reasons, potential claims should be identified and investigated carefully to determine the appropriateness and potential for recovery before being pursued.

20. Depositor ranking collateralization and rights of set-off

(a) Policymakers should be aware of the potential effects of existing depositor priority laws or statutes on failure-resolution costs and the incentive for depositors or other creditors to exert market discipline.

(b) Policymakers should be aware of the effects of collateralization. Extensive collateralization of a bank's liabilities may affect the deposit insurer's cost and impinge on its ability to provide financial assistance to a troubled bank.

(c) Some countries emphasize the importance of set-off while others believe that it can contribute to unequal treatment. If set-off is allowed, a number of issues should be considered, including whether set-off should apply to all loans or only those due or in default. Set-off also can be influenced by the priority of claims in a bank failure. These issues generally involve trade-offs and require country-specific solutions.

**DI WORLD presents global developments in deposit insurance organizations.*

How can PDIC better provide depositor protection?

Para sa isang katulad ko na malaki ang sakripisyo at pagtitiis para lamang kumita, dapat pangalagaan ng PDIC ang mga small depositors tulad namin. Alam naman ng publiko na ang inilalagay namin sa bangko ay talagang pinaghihirapan namin. Paano na pag may nangyaring hindi maganda sa bangkong aming pinagdedeposituhan? Hindi ba dapat lamang na bigyan kami ng kaukulang proteksyon ng ating gobyerno lalo na laban sa mga malalaking bangko na ang binibigyan ng proteksyon at inaalagaan ay ang malalaking depositor.

- **Emil Glinoga**, Seaman

PDIC should find a way to protect depositors who have more than P100,000 deposits. After all, deposits of more than that amount are hard-earned money. I think our government should make sure that bad bankers should be punished but so far we have not heard of a banker who has been brought to law.

- **Minda Maliwat**, Finance Officer, law office

For a microfinance bank like us, PDIC should ensure that we are given monitoring/risk factors that will guide us in good governance. - ***Nisa Pili**, Audit, microfinance bank*

Current practice is that deposit of up to ₱100,000 is insured with PDIC. For better depositor protection, PDIC can provide insurance for deposit of up to ₱200,000. This will discourage prospective depositors to invest their hard-earned money in pyramid schemes, etc. - ***Bim Tordesillas**, Employee, Philam Plans Inc.*

(1) It's an insurance package that reassures depositors that their money is protected (kaya lang up to P100,000 lang) so for me, I don't put more than that amount in any bank. Talo if over ka e. (2) Observing people in a bank, it seems that they really don't know what PDIC means or what's its purpose but if they don't see the logo on the bank door, they get worried. They usually ask the teller what it is all about. (3) I haven't seen a lot of articles about PDIC except when it's in a supplement for an occasion. Not much exposure sa media. (4) The essence of PDIC only becomes real when there's a bank run or a bank closes down. - ***Arminda V. Santiago***, Professor, UP Film Institute

Increase the amount of coverage up to P200,000. Quarterly audit of bank deposits. - ***Gerry Urgelles***, MIA Authority

Closer and more vigilant monitoring of banks. Stiffer penalties on erring banks. Higher insurance coverage of at least P500,000. - **Alex Cuenca**, MD, Quezon City

Increase deposit insurance coverage and provide additional incentives both for the banks and the depositors. PDIC must conduct seminar/workshop on insurance coverage and hold regular meetings with banks' clients/depositors for an open discussion. - **Nemy Sumulong**, LBP

Nowadays, people are apprehensive of our situation financially, socially and politically. With the assurance of protection from PDIC, depositors can now count that their personal property (money) is in safe hands. One can surmise that with this development, there will be more deposits coming from especially the mediocre sector of the society. - **Roland Kapunan**, PCSO

****PERSPECTIVES** is an expression of insights on relevant subjects.*

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