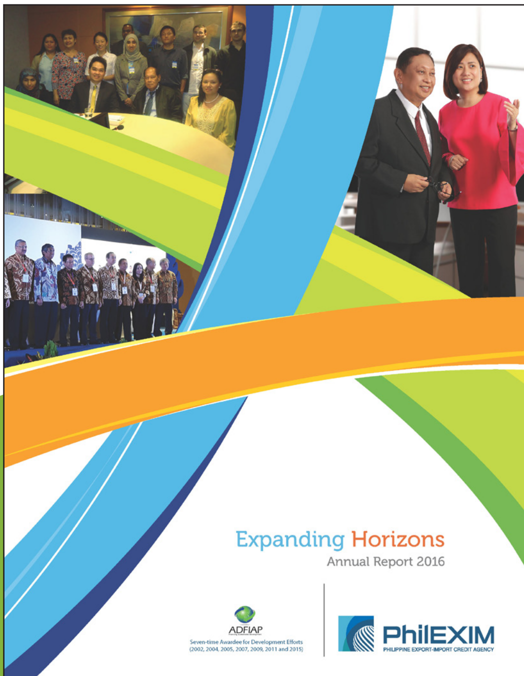
Expanding Horizons

Annual Report 2016

ADFIAP
financing sustainable development
Seven-time Awardee for Development Efforts
(2002, 2004, 2005, 2007, 2009, 2011 and 2015)

PhilEXIM
PHILIPPINE EXPORT-IMPORT CREDIT AGENCY



About the COVER

Expanding Horizons. The theme discusses PHILEXIM's role as it assists strategic industries expand their horizons to compete in the global business scene.

In general, the theme encompasses the company's ability to perform its mandate unceasingly while devoting its plans and programs toward achieving financing for development. The modern element of the triangular design represents the aim of PhilEXIM to continue navigating its avenues for bridging growth both institutionally and for its raison d'etre.

Our COMMITMENT:

We are a sovereign guarantor extending primarily guarantee, export insurance and related services to business entities in order to develop the Nation's export industry and facilitate investment in strategic sectors of the economy.

Our ASPIRATION:

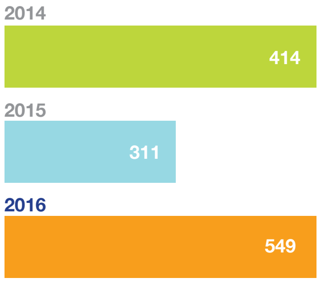
By 2018, PhilEXIM shall be the preferred credit guarantee institution facilitating international trade and insvestments responsive to the developmental needs of the country.

CORE VALUES:

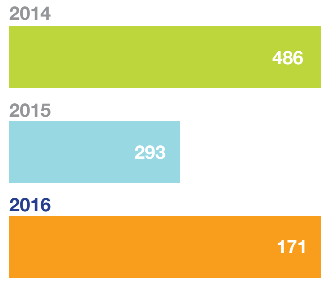
- Integrity
- Professionalism
- Good Governance
- Innovation
- Teamwork

Financial Highlights

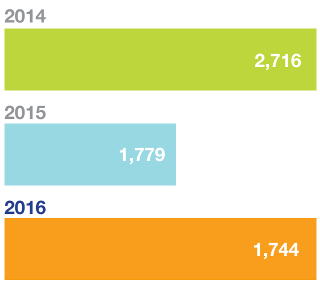
TOTAL EXPENSES (In million Pesos)



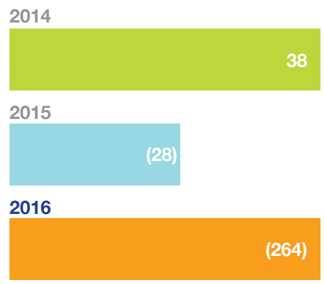
TOTAL REVENUES (in million Pesos)



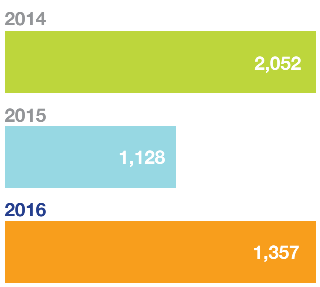
TOTAL ASSETS (in million Pesos)



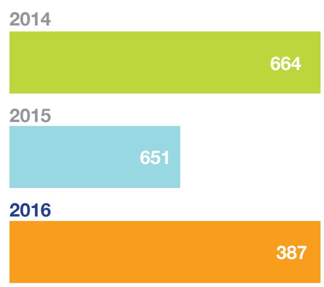
COMPREHENSIVE INCOME (in million Pesos)



TOTAL LIABILITIES (in million Pesos)



NET WORTH (in million Pesos)



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Developmental Role of PhilEXIM

Corporate Objectives and Functions

1. To promote and facilitate the entry of foreign loans into the country for development purposes having special regard to the needs of export-oriented industries, industries registered with the Board of Investments, public utilities, and industries the promotion of which is encouraged by government policy;

2. To guarantee loans granted by Philippine banking and financial institutions to qualified exporters, producers of export products, and contractors with approved service contracts abroad;

3. To facilitate and assist in the implementation of approved service contracts abroad entered into by Philippine entities, enterprises, or corporations with foreign exchange earning potentials, by providing counter-guarantee to Philippine banks and financial institutions issuing stand-by Letters of Credit or of Letters of Guarantee for the performance of said service contracts;

4. To meet requests from domestic entities, enterprises, and corporations to assist them in the coordination of their development and expansion plans with a view to achieving better utilization of their resources;

5. To provide insurance cover, credit and appropriate services to facilitate the export of Philippine goods or services by any entity, enterprise or corporation organized or licensed to engage in business in the Philippines;

6. To provide direct credits and loans to exporters of Philippine goods and services;

7. To provide technical assistance in the preparation, financing, execution of development or expansion programs, including the formulation of specific project proposals; and

8. To undertake such actions that are consistent with the primary purposes of the corporation.

Capitalization

PhilEXIM has an authorized capital stock of P10 Billion, to be fully subscribed by the Government of the Republic of the Philippines. The statutory limit on its aggregate outstanding guarantee obligations is fifteen times (15x) its subscribed capital stock plus surplus. All obligations of PhilEXIM carry the full faith and credit of the Republic of the Philippines.

Programs for Small, Medium and Large Exports

PhilEXIM plays a vital role in helping Philippine exporters gain access to international markets and become globally competitive. To assist small, medium and large exporters, as well as priority sectors, PhilEXIM has various financing products which address credit-related problems such as limited resources, lack of collateral and limited access to facilities and other forms of trade financing.

GUARANTEES

- **Guarantee Program for SMEs**
  Guarantee on short term loans to persons or entities licensed to engage in export-oriented activities, as well as activities which, in the determination of TIDCORP, promote and develop the capital goods and import-substitution industries.

- **Guarantee Program for Large Accounts**
  –Guarantee on loans to direct and indirect exporters, firms involved in priority projects of the National Government and import substitution industries.

  –Promote and facilitate the entry of foreign loans into the country for development purposes having special regard to the needs of export-oriented industries, industries registered with the Board of Investments, public utilities, and industries the promotion of which is encouraged by government policy.

  –Guarantee on investments (Equity and Debt)

- **Portfolio Guarantee Program for SMEs**
  Expand the business the business capability of any financial institution's B-BBB rated SME portfolio by means of utilizing the sovereign rating, zero-risk weight feature and capital leveraging advantage of PhilEXIM.

DIRECT LENDING

- **Short-Term Direct Lending Program for SMEs**
  Short-term loan to persons or entities licensed to engage in export-oriented activities, as well as in activities which, in the determination of TIDCORP, promote and develop the capital goods and import-substitution industries.

- **Medium to Long-Term Direct Lending Program for SMEs**
  Medium and long term loan to persons or entities licensed to engage in export-oriented activities, as well as in activities which, in the determination of TIDCORP, promote and develop the capital goods and import-substitution industries.

- **Wholesale Direct Lending Program for SMEs**
  Short term loan and capability building assistance to SME Export Sector.

- **Access of Small Enterprises to Sound Lending Opportunities (ASENSO)** Lending program by government financial institutions (GFIs) designed to give small and medium enterprises (SMEs) greater access to short and long-term funds.

CREDIT INSURANCE

It is an insurance policy offered to business entities wishing to protect their accounts receivable from loss due to credit risks.

- **Export Credit Insurance (ECI)**
  Insurance coverage to exporters against the risk of non-payment by foreign buyers of export shipments on credit arising from political or commercial risks.

- **Domestic Credit Insurance**
  Insurance coverage on receivables of a multinational's subsidiary company against non-payment of buyers in the subsidiary's country.

PROGRAMS FOR PRIORITY SECTORS OF THE GOVERNMENT

Consistent with government's existing priorities, PhilEXIM provides various guarantee facilities to attract investments particularly in areas where the foreign country has distinct advantages, and where foreign exchange may be generated and/ or saved.

The 2014-2017 Investment Priorities Plan (IPP) focuses on competitiveness, skills development, technology upgrading, infrastructure modernization, and improvements in overall business environment. Together with the governance reforms and good macroeconomic performance of the Philippines in more recent years, this bodes well for attracting investments and achieving economic transformation.

Tourism-Related Projects

- Type of Project: Hotel, resort, eco-tourism, retirement havens, medical tourism, wellness facilities, sports, and leisure complex in priority areas under the Department of Tourism's Development Plan.

- Nature of Requirements
  Civil works to include:
  - Vertical developments
    (i.e. buildings & other recreational structures)
  - Horizontal developments
    (i.e. roads, water sewage, electrical system, telecoms infrastructure)
  - Other support facilities

Information and Communications Technology (ICT) Projects

- Type of Project: This is a Services project which can also cover integrated circuit (IC) design, ship repair, testing facilities, and charging stations for e-vehicles.

  Development of:
  - ICT zones (i.e. cyber park or IT park dedicated to IT locators)
  - IT-based industries (i.e. software development)
  - IT-related projects (i.e. call/data centers. Backroom processing operations, data recovery and operation)

- Nature of Requirements
  Civil works to include:
  - Vertical and horizontal developments
  - Capital Expenditure (e.g. network computer servers and special equipment)
  - Acquisition of software packages

Agri-Modernization Projects

- Type of Project: Integrated mechanized farm production and bulk handling facility, Oleo chemical facility, grains production, and postharvest system.

- Nature of Requirements
  Civil works to include:
  - Vertical/ horizontal development
  - Installation of electro-mechanical system, capital equipment

Electro-mechanical works to include:
  - Installation of electro-mechanical system, capital equipment
  - Farm machinery & equipment

Infrastructure and Energy Projects

- Type of Project: Tollways, ports, airports, bulk water supply, water systems, railway systems, power generation, transmission and distribution, solid waste management, water, and wastewater treatment.

- Nature Requirements
  Civil works to include:
  - Vertical developments (buildings, structures)
  - Horizontal developments (rail and road stations, water and telecom infrastructure)
  - Other support facilities equipment (electro-mechanical system and installation, metallurgical equipment, tolling stock, conveyor equipment)

Mining Projects

- Type of Project: Mineral ore production and processing.
- Nature of Requirements
  Civil works to include:
  - Vertical/ horizontal development
  - Other support facilities
  - Procurement of equipment

Compared to stand-alone projects, where corporations typically resort to commercial borrowings to finance their capital asset acquisition and/ or civil works, and where the borrowing costs are normally market rates with tenors such as five (5) years or less, the guarantee facilities offered by PhilEXIM for projects in the above-mentioned priority sectors provide financing with risk-based pricing and the resultant economic returns.

This translates to more concessional project terms and conditions as well as better cash flows. In the end, the project becomes realistically affordable to the end-user and viable in the long-run. The promotion of the industry sectors generate more high value jobs, equitable distribution of economic benefits and a better quality of life for a greater number of Filipinos.

Message from the President of the Philipines

Rodrigo Roa Duterte

My warmest greetings to the **Philippine Export-Import Credit Agency (PhilEXIM)** as it publishes its **2016 Annual Report.**

As the agency mandated to extend credit, export insurance and related services to business entities, PhilEXIM plays a crucial role in developing the nation's export industry and facilitating investments in the strategic sectors of our economy. As a sovereign guarantor, it has also put itself in a proactive position in issues relevant to our country's economic development.

I thus welcome this annual report as it will provide vital information to the agency's stakeholders, most especially the Filipino people. Equipped with the knowledge of the strengths and weaknesses in its performance, I am confident that PhilEXIM will now be able to find ways to address lingering economic gaps and issues in access to credit for our entrepreneurs, businesses and industries.

As we maximize the opportunities in this era of strong and robust growth, I am confident that the agency shall continue to be a powerful agent of change for your clients as well as for ordinary Filipinos. As a vital cog in the country's economic chain, it is my hope that PhilEXIM will remain as one of the government's most able arms in building a more inclusive and prosperous Philippines.

I wish you success in your future endeavors.

Message from the Chairman of the Board of Directors

As the economy surges to a higher growth plane, it is important for all our development and financing institutions to improve their capacity and gear up operations.

The Philippine Export-Import Credit Agency (PhilEXIM) plays a key role in providing financing for development. At the moment, the corporation is implementing a Quality Management System (QMS) to improve its capacity to deliver on its mission. Among the key initiatives are improvements in risk management and compliance. With the improvements, we are confident the PhilEXIM will successfully obtain ISO Certification.

I am pleased to learn that PhilEXIM is exerting all efforts to be a truly learning institution. The corporation recently organized a forum for its business partners and clients on guarantees for financial institutions. For PhilEXIM's revenue groups, a traing program on technical and financial evaluation on renewable energy projects was also organized.

This year, we are confident that the loan and guarantee programs of the corporation are fully prepared to meet the fast-growing needs of our vibrant business sector.

PhilEXIM looks at the new conditions of high growth with confidence. It will fully play its role as catalyst and enabler in our rising economy.

Carlos G. Dominguez
Secretary of Finance

Report of the OIC/President & CEO

In 2016, the country's Gross Domestic Product (GDP) expansion in the fourth quarter reached 6.6 percent, slower than the third quarter's 7 percent. GDP growth has, in fact, been continuously rising since 2015. This sustained growth is impressive, given the general slowdown of global economic growth.

Much of the recent growth is accounted for by our predominant services sector (which includes retail trade, banking, transportation, etc). But the data also confirm that the manufacturing sector has been explaining an increasing part of growth in recent quarters.

Against this economic backdrop, PhilEXIM generated total revenues of Php 171.5 Million as of end-December 2016, dominated by core business amounting to Php 123.1 Million or 72 percent of the total income. Based on core income budget of Php 112 Million, current year performance rose by 10 percent. However, due to provisioning for defaulted accounts, a net loss of Php 265 Million was registered as of year-end.

Accordingly, it was during this year that Management requested for two vital initiatives – the immediate capital infusion of the 4.5 billion subscription receivable due from the National Government (NG), and the increase of PhilEXIM's authorized capital stock of Php 10.0 billion to Php 30.0 billion. Both requests bear the endorsements from the DOF and the GCG to the Office of the President (OP). Should the infusion be given, the said additional capital will increase the Agency's capacity to meet the substantial fiscal requirements of the country's priority and strategic projects, to include the SMEs, thus being at par with its counterparts in the region.

Portfolio-wise, our Guarantee Program realized Php 9.046 Billion or 93 percent of the total portfolio. The Direct Lending Program registered a volume of Php 637 Million which is equivalent to 7 percent of the total portfolio. On a per sector viewpoint, our credit portfolio went to the Industry sector comprised of the supply and processing-intensive industries such as manufacturing, power, infrastructure, transportation and utilities at 65 percent. Regionally, the National Capital Region's share

"We achieved milestones to create a responsive and sustainable organization."

of financing represented 63 percent of the total credit portfolio. The Agency, regularly aligned with its developmental mandate, contributed indirectly to realizing export revenues amounting to $21.86 Million employment generating 146,594 jobs and firms assistance of 1,669 entities.

Pursuant to our Business Model, we made good progress on our strategy. We are in the process of converting non-earning assets as profit areas through pro-active management of workable options. We pursued and negotiated payments schemes such as dacion en pago restructuring, ex-deal arrangements, universal settlement, debt restructuring arrangements, and analogous agreements. A third party appraisal on various TIDCORP acquired assets for disposal is in process. We accepted bid offers for two acquired assets, the JMT Condominium and Panabo properties, as documentation is on-going.

Internally, we achieved milestones to create a responsive and sustainable organization. We engaged the services of a Third-Party Consultant that assisted Management and the Change Management Team to undertake the Current State Assessment, Workforce Analysis and the reorganization structure preparation. Good governance schemes were also carried out by completion of the documentation stage for the Quality Management System. The Internal Quality Audit Team was created and, together with the Senior Management, underwent a workshop on Conducting Effective Internal Quality Audit. All existing Manual of Operations approved by the Board in 2011 were being revised/updated for review by Senior Management and approval by the Board. The Risk Management Manual's initial draft, in consonance with ISO requirements, has been completed and reviewed by the Internal Audit Office.

As regards to streamlined operational processes, Phase 2 of the Loans Management System (formerly called as Central Liability System) is undergoing review while upgrade of cloud infrastructure to ease maintenance, backup, and restoration of files, as well as site disaster recovery was completed. Our corporate website was migrated from on-premise hosting to Public Cloud under the Department of Information and Communication Technology for cost efficiency purposes. Meetings of the Senior Management Committee (SMC), including the Head of Risk Management, were adjusted to meet twice a month for matters covering administrative, business generation, finance and compliances. We sponsored an extensive capacity-building forum for our clients and external stakeholders entitled, "Business Forum on Guarantees as an Economic Enabler" with experts from the private and public sector as resource speakers. The aim was to create better public awareness and understanding on the sovereign guarantee as an intrinsic element in development financing. Likewise, we also organized a "Capacity Building on Technical and Financial Evaluation of Renewable Energy Projects for PhilEXIM" with resource speakers from the Department of Energy.

Aside from reaching-out activities such as presence in various fora the Agency partnered with state media which aimed to increase its above-the-line exposure in terms of radio, TV guesting and publicities in other media. The Agency guested over DWBR, a state-run radio station. The program, "Business Brew" airs Tuesdays and Thursdays and features success stories of MSMEs and established companies. Inclusively, the Agency was actively involved in all gender and development activities of the Department of Finance during Women's Month and the 18-Day Campaign to End Violence Against Women (VAW) per Proclamation No. 1172.

To comply with GCG requirements and that of the 2016 Performance Scorecard, the Agency conducted an internal customer feedback survey to active select clients to measure customer service and turn-around time satisfaction. majority of the client-respondents replied with an overall satisfactory rating.

The 2016 outcomes continue to challenge PhilEXIM in its abilities, and these have made us more certain and determined to proceed with our future.

We believe we can continue building our momentum in 2017. While there will be phases, and provided there will be no extraordinary, unforeseeable circumstances, the progress we are making within our business will steer us to the right course.

Finally, we thank our shareholders, customers, partners and employees for their continuous commitment and trust. Without you, our achievements today and tomorrow would not be possible.

Florencio P. Gabriel, Jr.
OIC/ President and CEO

Asian Exim Banks Forum
Meeting and Training Programs

PhilEXIM, an active AEBF member, attended three annual activities in 2016- The 32nd Training Program on “Infrastructure Financing” in India the 22nd TWG Meeting in Indonesia and the 33rd Training Program on “SME Exporters Financing” in Australia. It also participated during the Annual CEO Forum in Indonesia in November.

At the 32nd Training Program which was hosted by the Export-Import Bank of India, the topics discussed included the following: Co financing with the Asian Development Bank; JBIC’s Approach for Bridging Gap in Infrastructure; Infrastructure Projects in the Indian and International Context and experience-sharing of EXIM members such as India, Korea and China. Apart from the presentations, the participants were toured around PPP project facilities such as the Chennai Metro Facility and the Radisson Blue Resort.

For the 22nd TWG Meeting in Indonesia, AEBF member institutions attended, with proposals from each member country on the theme for the CEO Forum. It was proposed during the TWG meeting that the representative member-institution assign their permanent AEBF TWG representative for purposes of continuity and high-level discussions that will be more reflective for the realities. In addition, it was proposed that the AEBF collaboration go beyond framework cooperations, and that concrete collaboration and risk co-sharing be realized.

The AEBF was conceived and initiated in 1996 for Asian Export Credit Agencies (ECAs) to exchange information and share ideas in a structured manner.

The Asian ECA forum’s principal objective is to develop and enhance regional cooperation as well as forge stronger link among its member-institutions, thereby fostering a long term relationship within the Asian ECA community.

PhilEXIM Forum:
Guarantees as an Economic Enabler

PhilEXIM hosted a one-day forum entitled, "Guarantees as an Economic Enabler" for existing and prospective clients as well as business partners to support the Agency's strategic vision, particularly strengthening institutional relevance and intensifying its capacity building program. The event was comprised of two (2) parts, Financing for Development and Sovereign Guarantees for Strategic Projects/PPP.

The first part include topics foremost of which was the "Economic Value of Guarantees in National Development". This was presented by Gil S. Beltran, Undersecretary and Chief Economist of the Department of Finance (DOF). This was followed by "Fundamentals and Practices in Development Finance and the Role of PhilEXIM in Economic Development" and was discussed by Dr. Alberto D. Pena, a renowed development finance expert. Panel discussants during the forum were participated in by Dr. Adora Navarro of PIDS, Mr. Sergio Edeza of San Miguel Corporation and National Treasurer Roberto B. Tan. The first part was capped with a presentation on "Islamic Banking and Finance: Challenges and Prospects in the Philippines" by Isidro A. Sobrecarey, Chairman and Chief Executive Officer of Al-Amanah Islamic Bank of the Philippines. FSVP Ian A. Briones moderated the panel discussion.

For the afternoon session, Alexander N. Jett from the Office of Public-Private Partnerships, Asian Development Bank discussed the topic "ADB Guarantee Programs and Projects In Support of PPPs" while "Propriety and Legality of the PhilEXIM Sovereign Guarantee in PPPs and Private Sector Participation (PSP)" was discussed by Atty. Alberto C. Agra, Certified PPP Specialist. After the presentations, a panel discussion ensued.

Policy Direction pursuant to the Strategic Framework (2014-2017)

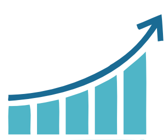
PhilEXIM shifted its strategic priorities and revised its business plan following the direction of the National Government, where it emphasized its thrusts – support industries such as SMEs tourism, infrastructure, agriculture and manufacturing.

Aligned towards the pursuit of government on social-economic development, PhilEXIM redefined its business direction guided by a Strategic Framework under the new leadership which came in during the later part of 2014, namely:

Stabilize the business with sufficient capacity;

Create a responsive and sustainable organization;

Achieve socio-economic relevance.



01

Remain relevant as a self-sufficient and profitable agency strongly supportive of key economic development priorities of the government.

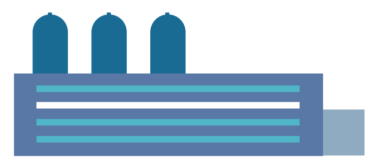
02

Activities shall be confined to:

a) Providing sovereign guarantees to carefully selected large enterprises in strategic industries, as well as direct lending on purely meritorious cases;

b) Providing direct lending and, on a case-to-case basis, guarantees to strategic SMEs

The overall focus of PhilEXIM is to continue being a relevant, self-sufficient, profitable, socially-responsive and professionally-run Agency, strongly supportive of key economic development priorities of the Government. Hence, to enable the Agency to implement the aforesaid Framework, major strategic initiatives shall form the core of both revenue and support units. These are the following:



03

Strategic industries under large accounts shall be confined initially to the following sectors:

a) Tourism
b) Agri-oriented exports and import substitution
c) Infrastructure, including key supply-side support sector
d) Export- and import substitution oriented manufacturing

04

Strategic SMEs include:

a) Export- and import substitution-oriented manufacturing
b) Tourism
c) Agri-exports and import substitution

05

Continuous but focused development of internal capabilities through:

a) Well-balanced and responsive organization
b) Continuous personnel training and development
c) Competitive remuneration structure
d) Good corporate governance
e) Creation of a Board-level Finance and Business Development Committee

06

Proactive evaluation, monitoring and management of guarantee portfolio, comparable to, if not better than, those performed by direct lenders

a) Ensure sustainable long-term viability and profitability of accounts by paying particular attention to the following, among others:
   - Major economic developments which may significantly impact on the clients' business
   - Major changes in the ownership and/or management structure of the Corporation
   - Major technological developments which may affect the clients' products or services.
   - Major changes in the competitive environment such as the entry of a new big player or major expansion of an existing competitor
   - Major changes in the demand and/or supply side of the clients business

b) Ensure accounts remain in good standing and potential problems are detected and cured on time

07

Comprehensive approach to the development and growth of SMEs:

a) Capability-building in such areas as financial management, financial reporting/recording, business development and management.
b) Give more weight to sustainable viability of projects over adequacy of collateral cover.
c) Close evaluation, monitoring and management of accounts to facilitate development and fastertransition into bankable/ profitable entities.
d) Strong support for high-impact account prospects that will generate more jobs, export and import substitutes particularly those that can be easily replicated thru regions outside NCR. This may involve assistance in the determination of the appropriate legal and operating structures of the client

08

For large guaranteed accounts in selected strategic industries:

a) Proactive evaluation, monitoring and management of accounts to ensure that the business continuously remains viable and the accounts remain in good standing.
b) Favorably consider arranging with lenders and/or directly granting short-term credit facility, on purely meritorious cases, to prevent/cure temporary setbacks/defaults or ensure sustainable viability of the business of guaranteed accounts.
c) Encourage and support equity financing over debt financing from foreign funders by way of guarantees on foreign equity component, especially for expanding/enhancing existing viable businesses in strategic or NG's priority industries, thereby further improving viability and profitability due to reduced interest burden, and also helping promote much needed foreign direct investments into the country.

09

For non-performing assets:

Proactive role, apart from undertaking legal initiatives, via close networking and coordination with co-creditors, prospective financial or strategic investors and borrowers/debtors, among others, to ensure that non-performing assets are recovered, liquidized and/or converted to performing assets the soonest possible.

Governing Board

from left to right

ROBERTO B. TAN
Undersectary, Department of Finance
Effective August 10, 2016

GIL S. BELTRAN
Undersecretary, Department of Finance
Up to August 9, 2016

NORA K. TERRADO
Undersecretary, Department of Trade and Industry
Effective January 21, 2016

VICENTE S. AQUINO
Deputy Governor, Bangko Sentral ng Pilipinas

ROSEMARIE G. EDILLON
Deputy Director General, National Economic and Development Authority
Effective March 21, 2016
*not in photo

CARLOS BERNARDO O. ABAD SANTOS
Assistant Director General, National Economic and Development Authority
Effective September 23, 2016

MICHAEL ROBERTO P. REYES
Board Member, Philippine Overseas Construction Board
Effective September 23, 2016

SONIA T. VALDEAVILLA
Executive Director, Philippine Overseas Construction Board
Effective June 2016
*not in photo

from left to right

CARLOS G. DOMINGUEZ III
Secretary, Department of Finance
Effective July 1, 2016 up to present

CESAR V. PURISIMA
Secretary, Department of Finance
Up to June 30, 2016
*not in photo

RAMON M. LOPEZ
Secretary, Department of Trade and Industry
Effective July 1, 2016

ADRIAN S. CRISTOBAL, JR.
Secretary, Department of Trade and Industry
Up to June 30, 2016
*not in photo

AMANDO M. TETANGCO, JR.
Governor, Bangko Sentral ng Pilipinas

ERNESTO M. PERNIA
Director-General, National Economic and Development Authority
Effective July 1, 2016
*not in photo

EMMANUEL F. ESGUERRA
Secretary, National Economic and Development Authority
Up to June 30, 2016
*not in photo

ISIDRO A. CONSUNJI
Chairman,
Philippine Overseas Construction Board

JAY Y. YUVALLOS
Export Sector Representative

ERMILANDO D. NAPA
Private Sector Representative

WILFRIDO A. ATIENZA
Private Sector Representative

TOMASA H. LIPANA
Private Sector Representative

Alternate Members

Affiliations
Governing Board

CARLOS G. DOMINGUEZ III
DOF Secretary
- BA in Economics, Ateneo de Manila University
- Master in Business Administration, Ateneo de Manila Graduate School of Business

Past/Present Directorships:
- President of C.G. Dominguez and Associates Inc., Huntly Corporation
- Chairman of Lafayette Philippines, Inc.
- Chief Executive Officer and President of Lafayette Philippines Inc.
- President of BPI Agricultural Development Bank
- Secretary of Agriculture and Secretary of Environment and Natural Resources
- President of Philippine Associated Smelting and Refining Corporation
- Chairman of the Board of RCBC Capital Corporation
- Chairman of Philippine Airlines
- Chairman of Philippine Associated Smelting and Refining Corporation

CESAR V. PURISIMA
DOF Secretary
- BS in Commerce Majors in Accounting & Management of Financial Institutions from De La Salle University
- MBA JL Kellogg Graduate School of Management, Northwestern University in Chicago, Illinois

Past/Present Directorships:
- Global Board of Andersen Worldwide and the Global Executive
- Board of Ernst & Young

RAMON M. LOPEZ
DTI Secretary
- AB in Economics, University of the Philippines School of Economics
- Master's in Development Economics, Williams College in Massachusetts

Past/Present Directorships:
- CEO, RFM Corporation
- Executive Director, Go Negosyo
- Chairman, Board of Investments
- Chairman, Philippine Economic Zone Authority
- Chairman, Micro SME Development Council
- Chairman, Export Development Council
- Chairman, Industry Development Council

HON. ADRIAN S. CRISTOBAL, JR.
Secretary, DTI
Ex-officio
Date of Assumption: December 31, 2015 up to June 30, 2016
- BA Political Science, University of California
- Doctor of Laws, Ateneo de Manila University

Past/Present Directorships:
- Board of Investments
- Intellectual Property Office
- National Security Council (Adviser)
- Department of Agrarian Reform (Adviser)

AMANDO M. TETANGCO, JR.
BSP Governor
- AB Economics, Ateneo de Manila University

Past/Present Directorships:
- BSP Monetary Board the Anti-Money Laundering Council
- Philippine International Convention Center
- Agriculture Credit Policy Council
- Capital Market Development Council
- Export Development Council
- PhilExport Board of Trustees

ERNESTO D. PERNIA
NEDA Director-General
- A.B. (Economics), University of San Carlos
- A.B. (Philosophy), San Carlos Major Seminary (Cebu)
- M.A. (Economics), University of Bridgeport, Connecticut
- Ph.D. (Economic Demography), University of California, Berkeley

Past/Present Directorships:
- Board of Directors, First Philec Solar Corporation (Lopez Group of Companies)
- Board of Directors, Philippine-Russian Business Assembly
- Board of Directors, Philippine-American Academy of Science and Engineering
- Board of Trustees, University of San Carlos, 2005-; Chair of the Board
- Board of Trustees, Kalayaan College
- Board of Directors, Procurement Watch, Inc.
- Board of Trustees, Philippine Center for Population and Development

EMMANUEL F. ESGUERRA
OIC, NEDA
- AB Economics - UP Diliman
- MA- Economics (UP Diliman)
- PhD Agricultural Economics (Ohio State University, USA)

Past/Present Directorships:
- Economics Research Center
- UP School of Economics

ISIDRO A. CONSUNJI
POCB Chairperson
- BS Civil Engineering University of the Philippines
- MBA - Asian Institute of Management

Past/Present Directorships:
- DMCI Holdings Inc.
- DACON Corporation
- Philippine Realty Holdings, Inc.
- DMC-Urban Property Developers, Inc.
- DMCI Project Developers, Inc. (PDI)
- Universal Rightfield Property Holdings Inc.
- SEM-Calaca Power Corp.
- Association of Builders Consultants and Designers, Inc.
- Philippine Constructors Association
- Philippine Chamber of Coal Mines, Inc.

Affiliations
Alternate Members

JAY Y. YUVALLOS
Export Sector Representative
- BS Commerce Accounting University of San Jose Recoletos

Past/Present Directorships:
- Interior Basics Export Corporation
- Infinite Horizons Incorporated
- ASEAN Business Advisory Council

ERMILANDO D. NAPA
Private Sector Representative
- Master in Management Asian Institute of Management
- Bachelor of Science in Business Administration – Aquinas University

Past/Present Directorships:
- National Reinsurance Corporation of the Philippines
- Manila Consulting & Management Company, Inc.
- Century Woods, Inc.
- Catanauan Resources & Development Corp.
- CIIF-Oil Mills Group

WILFRIDO A. ATIENZA
Private Sector Representative
- BS Business Economics University of the Philippines
- MBA Finance Columbia University of New York, Graduate School of Business

Past/Present Directorships:
- Wealth Development Bank
- Ayala Corporation
- Guild Financial Consulting, Inc.
- Inter-Asia Development Bank

TOMASA H. LIPANA
Private Sector Representative
- BS Business Administration, University of the East
- Certified Public Accountant, 18th Place

Past/Present Directorships:
- Flexo Manufacturing Corporation
- Goldilocks Bakeshop, Inc.
- QBE Insurance
- Inter-Asia Development Bank

ROBERTO B. TAN
Treasurer of the Philippines
- BA in Economics, Ateneo de Manila University
- Master in Business Administration, Ateneo de Manila University

Past/Present Directorships:
- Treasurer of the Philippines
- Alternate Member, Monetary Board of the Bangko Sentral ng Pilipinas
- Undersecretary, International Finance Group, Department of Finance
- Board Member, National housing finance agencies
- Board Trustee, Foundation for Philippine Environment

GIL S. BELTRAN
DOF Undersecretary
- BA in Economics (cum laude), University of the Philippines
- MA in Development Economics, Williams College, Williamstown, Massachusetts

Past/Present Directorships:
- Alternate Executive Director of World Bank
- Advisor to Executive Director of World Bank

NORA K. TERRADO
Undersecretary, DTI
Date of Assumption: January 21, 2016 up to present
- BS Commerce and Associate Studies in Liberal Arts, University of St. La Salle, Bacolod
- Executive Graduates Program in Strategic Economics at the University of Asia and the Pacific
- Certified Public Accountant

Past/Present Directorships:
- Headstrong Philippines (a GENPACT Company)
- APAC Region of Headstrong, Inc.
- Southeast Asia operations of Circle Freight International/Harper Group

VICENTE S. AQUINO
Deputy Governor
Bangko Sentral ng Pilipinas
- BS Journalism, Lyceum of the Philippines
- Bachelor of Laws , MLQU School of Law

Past/Present Directorships:
- BSP Provident Fund Board of Trustees
- Philippine International Convention Center Board of Directors
- Philippine Retirement Authority

ROSEMARIE G. EDILLON
NEDA Deputy Director-General
- MA in Economics, UP School of Economics
- MS degree in Statistics, UP School of Statistics
- PhD in Economics, La Trobe University in Australia

Past/Present Directorships:
- Executive Director, Asia-Pacific Policy Center

CARLOS BERNARDO O. ABAD SANTOS
NEDA Asst Director-General
- BA in Economics, University of St. La Salle, Bacolod City
- MA in Economics, University of the Philippines School of Economics

Past/Present Directorships:
- Executive Director, Asia-Pacific Policy Center (APPC)

MICHAEL ROBERTO P. REYES
POCB Chairperson

- BS in Civil Engineering, University of the Philippines

Past/Present Directorships:
- President & Chief Operating Officer, DCCD Engineering Corporation
- Chairman, Board of Directors, DCCD Engineering Corporation

SONIA T. VALDEAVILLA
POCB Executive Director
- BS Civil Engineering MSEFU, Lucena City
- MA Urban & Regional Planning UP Diliman

Past/Present Directorships:
- Bureau of Product Standards
- Sub-TC on Standards Development Sanitary Wares
- Philippine Overseas Construction Board CIAP
- Philippine Insitute of Civil Engineers (Makati Chapter)

2016 Results of Operations

As a result of the successful negotiation of PhilEXIM with the Governance Commission for the GOCCs (GCG) for its 2016 performance scorecard, PhilEXIM pursued its mandate guided by the following major strategies:

- Gear-up guarantee portfolio anchored on a position of strength and in line with the 2018 vision to be the preferred credit guarantee institution;
- Contribute to the government's priority sector development agenda by means of supporting SMEs and capacity building partnerships and collaborations;
- Strengthen market presence and credibility, thus "Ensuring the Country's Economic Momentum"
- Institute stronger risk management and compliance measures;
- Prime the organization to meet business directions.

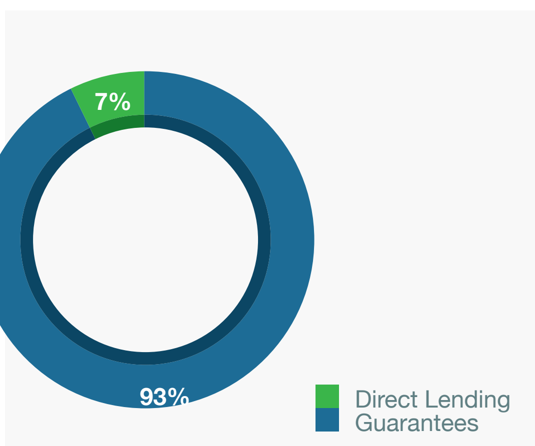
Results of Operations:

Management requested for two vital initiatives – the immediate capital infusion of the 4.5 billion subscription receivable due from the National Government (NG), and the increase of PhilEXIM's authorized capital stock of Php 10.0 billion to Php 30.0 billion. Both requests bear the endorsements from the DOF and the GCG to the Office of the President (OP). The additional capital will increase the Agency's capacity to meet the substantial financial requirements of the country's priority and strategic projects, to include the SMEs, with focus on medium enterprises more importantly, thereby being at par with its counterparts in the region in terms of balance sheet.

PhilEXIM's Credit Portfolio:

The credit portfolio of the Agency totaled 9.68 Billion as of December 31, 2016 broken down as follows:

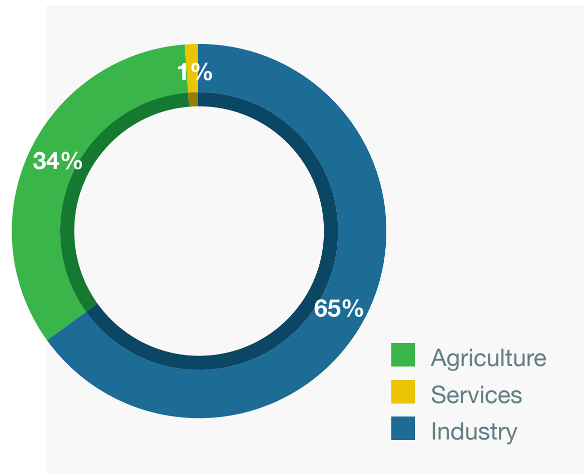
• Program Allocation



Sector	Amount	% Share
Guarantees	9,045	93%
Direct Lending	636	7%
Total	9,682	100%

The biggest part of the credit portfolio was in Guarantee Program amounting to Php 9.046 Billion or 93 percent of the total portfolio. This is a result of the shift in business concentration which is guarantee, led by large accounts thereby leaving the Direct Lending Program with Php 637 Million in exposure which is equivalent to 7 percent of the total portfolio.

• Sectoral Distribution



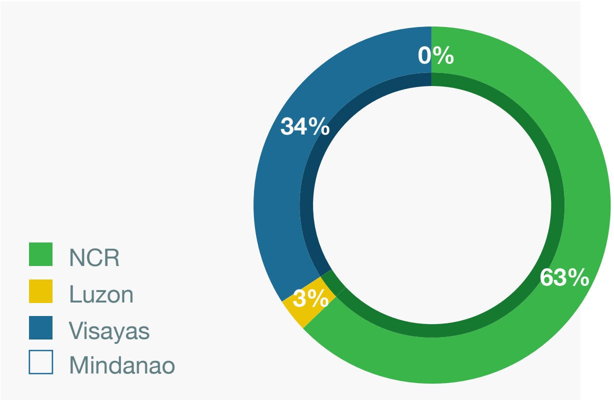
Sector	Amount	% Share
Industry	6.291	65%
Services	95	1%
Agriculture	3.296	34%
Total	9.682	100%

The majority of the Agency's credit portfolio went to Industry sector which is comprised of the supply and processing-intensive industries such as manufacturing, power, infrastructure, transportation and utilities at 65 percent. The Agriculture sector is the second largest driver with projects involving agri-business and agricultural modernization for a total of 34 percent. The Services sector on the hand dropped down to 1 percent.

Industry-wise the bulk of the total portfolio went to Infrastructure at 62%, followed by Agriculture at 34 percent, Manufacturing and Utilities at 1% each, and other industries such as Manpower, IT and Tourism with a cumulative total of 2 percent.

• Regional Access to Financing

Noteworthy to mention is the extent of PhilEXIM services in terms of regional access to financing which shows that 63 percent of the total credit portfolio is in the NCR followed by Visayas at 34 percent. Incidentally, these two areas were identified by the government as priority areas for possible access to financing under the Philippine Development Plan for 2011-2016. On the other hand, Luzon got a share of 3 percent, and Mindanao with less than 1 percent.



Sector	Amount	% Share
NCR	6.075	63%
Luzon	244	3%
Visayas	3.336	34%
Mindanao	27	0%
Total	**9.682**	**100%**

Economic Contributions:

In terms of support that will redound towards performing a catalytic role and make a positive development impact, PhilEXIM-assisted firms under its Guarantee and Direct Lending Programs generated the following:

Manpower Generation	Export Revenues	Number of Firms Serviced
146,594	**$21.86**	**1,669**
	*in Million US$	

**from developmental report of the revenue generating units of the Agency*

Financial Results:

As of end-December 2016, PhilEXIM generated total revenues of Php 171.5 Million, dominated by core business amounting to Php 123.1 Million or 72 percent of the total income. Based on core income budget of Php 112 Million, current year performance rose by 10 percent. However, due to bad debts expense, owing to the Philphos account, a net loss of Php 265 Million was registered as of year-end.

Total expenses on the other hand, registered a total of Php 145 Million, 24 percent lower than its Php 191.2 Million budget.

Results Pursuant to the 2016 Business Plan

At the close of 2016, the implementation of the TIDCORP Business Plan resulted into less encouraging results, with reasons emanating from extraneous factors.

A status of plans as of December 31, 2016 is as follows:

1. **Stabilize the business with sufficient capacity**
   a. Immediate capital infusion of the P5-B subscription receivable due from NG.

   b. Increase authorized capital stock of PhilEXIM to P30-B.

   c. Convert non-earning assets as profit areas through pro-active management of workable options.

   Efforts by the Legal and Asset Department to dispose and market non-earning assets continue to be on priority status as part of the revenue generating activities of the Corporation. Proactive management of workable options demonstrated thru the LAD's constant endorsement to the Board of various workable proposals to sell/dispose acquired properties.

2. **Create a responsive and sustainable organization**
   a) Focused development of internal resource capabilities.

   b) Pro-active origination, evaluation, monitoring and management of the guarantee portfolio.

   c) Sustain good corporate governance for balanced and efficient organization.

   d) Continued adoption of key business and operating policies and controls.

Items (a) and (b) are being addressed through the Engagement of a Third-Party Consultant that assisted Management and the Change Management Team (CMT) to undertake the Current State Assessment, Workforce Analysis and the reorganization structure preparation. The Current State Assessment and Workforce Analysis Reports are part of the submitted outputs in the proposed Reorganization Plan, alongside the conduct of a Change Management Workshop participated in by the CMT members and key officers/supervisors of the Corporation.

Items (c) and (d) are being observed through the coordination and governance pursuits of the audit and compliance related offices of PhilEXIM – Internal Audit Office, Risk Management Department and the Corporate Governance Office. The Documentation Stage for Quality Management System (QMS) was completed. To realize the full potential of QMS, consulting services for the ISO were extended to assist Management and the ISO team. The Internal Quality Audit Team was created and, together with the Senior Management, underwent training/workshop on Conducting Effective Internal Quality Audit.

In support of the business execution with the guidance of the Board as the policy enabling body, meetings were held in 2016 by Board-level Committees, specifically the following: Credit, Risk Oversight, Corporate Governance, Audit, and the Finance and Business Development Committee.

Meetings of the Senior Management Committee (SMC), were adjusted and delineated the topics of discussion for better coordination and decision-making, covering administrative, business generation, finance and compliances.

3. **Achieve socio-economic relevance**

   Attainment of development success indicators reflective of standards consistent with institutional efforts and that of the GCG, namely:

   i. Stakeholders Perspective – indicators referring to the efforts of the Agency to fulfill its mandate of providing development financing thru guarantees and lending, and in the process achieve customer satisfaction.

   ii. Financial Perspective – indicators referring to the efforts of the Agency to sustain portfolio quality and profitability.

   iii. Internal Processes Perspective – indicators referring to the efforts of the Agency to enhance its internal capabilities thru process improvements, with the end in view of attaining better service delivery.

   iv. Organizational Perspective – indicators referring to the efforts of the Agency towards strengthening institutional presence and its core internal human resources.

The third strategic framework is reflected through the performance scorecard of TIDCORP, where parameters are on the basis of the core business performance, organizational effectiveness, financial ratios, automation and turnaround time improvements.

In terms of strengthening PhilEXIM's balance sheet, out of the P4.5 Billion proposal of TIDCORP for additional equity infusion, the DBM approved for inclusion in the General Appropriation Act (GAA) for FY 2017 a budgetary support to TIDCORP via equity infusion in the amount of P500 Million under the Unprogrammed Fund, subject to the conditions/ Special Provisions of the said Fund to be set by the DBM.

PhilEXIM adopted the manual of operations of the different operating units and periodically revising/updating manuals/ programs to align them with current procedures and practices. All existing MOOs approved by the Board in 2011 are being revised/updated for review by Senior Management and approval by the Board. Target completion date is by April 2017.

Likewise the Agency strengthened its credit risk management system by booking past due loans as such to provide decision makers with timely and reliable information that permits prompt action to correct incipient problems or negative trends. As previously reported, the required design of the sub-coding of the account titles which will clearly identify the past due loans will be developed in coordination with the systems provider under Phase 2 of the Loans Management System (LMS, formerly called as Central Liability System). Said system will then be used by the Business Revenue Groups (BRG), Treasury Operations Dept. (TOD) and Finance Services Dept. (FSD). Projected completion date of the LMS Phase 2 is by 2nd Semester of 2017.

The Risk Management Manual (RMM) has been completed and initially reviewed by the Head of the Internal Audit Office (IAO), in consonance with ISO requirements. Further enhancement will be undertaken in conjunction with the Agency's on-going ISO Project. Target completion date is by February 2017.

Accordingly, PhilEXIM completed various engagement initiatives such as the Business Forum entitled "Guarantees as an Economic Enabler" in February 2016 at the Edsa Shang-ri La Hotel. Resource speakers were Undersecretary Gil Beltran (DOF), Dr. Alberto Pena (Illinois State University), Mr. Isidro Sobrecarey (Al-Amanah Islamic Bank of the Philippines), Atty. Alberto Agra (Ateneo School of Law), and Mr. Alexander Jett (Asian Development Bank) with panel discussants Mr. Eduardo Sergio Edeza (San Miguel Corporation), Treasurer Roberto B. Tan (Bureau of Treasury) and Dr. Adoracion Navarro (Philippine Institute for Development Studies). The Forum was conducted to create better public awareness and understanding on the sovereign guarantee as an intrinsic element in development financing, as provided by PhilEXIM being the country's official export-import credit agency. There were 110 attendees from 74 institutions from both government, non-government, and private sectors.

Also a two-day, in-house capacity building seminar for Account Officers, "Capacity Building on Technical and Financial Evaluation of Renewable Energy Projects" was held in May with resource speakers from the Department of Energy.

PhilEXIM also served as resource speaker during the following seminars:

1. Seminar for Exporters for Philippine Export Development Plan (PEDP) in Cebu City on March 16 to 17, 2016 (c/o DTI-Export Marketing Bureau)
2. Philippine Export Competitiveness Program "Innovation and Financing of SMEs" in Davao City on June 27 to 29, 2016 (c/o DTI-Export Marketing Bureau).

Implementation of the Quality Management System (QMS), as part of the Corporation's initiatives toward obtaining the ISO Certification is ongoing. Phase 2 (Documentation Stage) was completed in June 2016. Implementation Stage commenced in June 15, 2016. The PhilEXIM Internal Quality Audit (IQA) Team (Office Order No. 2016-092) was formed on June 20, 2016.

The Corporation enhanced its governance initiatives with the creation of the Corporate Governance Seal in compliance with GCG MC No. 2015-07: "Corporate Governance Scorecard (CGS) for GOCCs".

Aside from activities such as presence in various fora the Agency embarked on a partnership with state media of which it aims tol increase its above-the-line exposure in terms of radio, TV guesting and publicities in other media. The Agency guested twice at DWBR in the last quarter of 2016. The program, "Business Brew" airs Tuesdays and Thursday, from 10 to 11 in the morning. The program features success stories of MSMEs and established companies. These include developments in the local bourse in relation to what's happening in the global market, the Forex, and other issues concerning the Philippine economy.

Gender and Development (GAD)

PhilEXIM is an active participant in GAD initiatives and attended the following GAD activities:

a) Attended the 8th Go Negosyo Filipina Entrepreneurship Summit.
b) National Women's Month Celebration
c) Women Only Forum organized by Department of Finance (DOF).
d) Participated in the "Sama-samang Pagsulong sa mga Agenda ni Juana" Public Event at the Quirino Grandstand, Rizal Park, Manila.
e) Attended "Magandang Business Advice (MBA): Franchising" conducted by the Center for Entrepreneurship, Inc. – Go Negosyo Attended the "Orientation on Setting Up a Cooperative"
f) Participated in the Gender Mainstreaming Evaluation Framework (GMEF) application and GAD Plan and Budget Critiquing on September 20 – 22, 2016. This was a joint initiative of DOF/BTr/PhilEXIM.
g) Women Business Council research paper regarding issues of women entrepreneurs in relation to availing finance and credit facilities.
h) 18-Day Campaign to End Violence Against Women (VAW) per Proclamation 1172

6. Internal Customer Feedback Survey

In line with GCG requirements and on the Performance scorecard, the Agency initially conducted an internal Customer feedback survey to active select clients to measure customer service and turn-around time satisfaction. Out of the 18 survey forms sent to respondents, about 11 replied with an overall satisfactory rating.

7. Active Role as EXIM in Asia

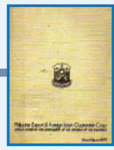
PhilEXIM actively participated in the annual meeting of Asian EXIM Banks through various relevant discussions during the Technical Working Group Meeting and CEO Forum in Yogyakarta and Bali, Indonesia, respectively. Significant in the discussions were the strengthening of relations between and among EXIMs in the area of increasing collaborative pursuits in the name of development financing. Meetings in Indonesia as well as trainings in Malaysia and Australia were attended by key officers and staff of the Corporation.

PhilEXIM @ 39: Through the Years

1977

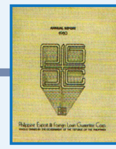
The Philippine Export and Foreign Loan Guarantee Corporation or PHILGUARANTEE was established through Presidential Decree 1080 on January 31. It mandated the Corporation to guarantee not only approved foreign loans for developmental purposes but also loans granted by domestic and foreign financial institutions to exporters and manufacturers of export products as well as contractors with approved service contracts abroad.

1979



PHILGUARANTEE was granted the additional power to offer export credit insurance with the transfer of the functions of the defunct Philippine Export Credit Insurance and Guarantee Corporation (PECIGCOR) to the Corporation.

1980



PHILGUARANTEE launched a P3 million facility to provide guarantee coverage to loans of up to P1 million for small companies, and up to P3 million for medium-sized enterprises, under a memorandum of agreement that was also signed by 27 participating commercial banks.

1984

PHILGUARANTEE shifted its focus and resources from the issuance of guarantees for overseas construction contracts to the issuance of guarantees for export-oriented enterprises in view of the mounting defaults by guaranteed contractors engaged in Middle East construction projects. Presidential Decree 1930 was issued, requiring that all loan guarantees to be extended by government-owned and controlled corporations should have prior approval of the President of the Philippines.

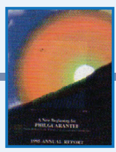
1985

Presidential Decree 1962 increased the authorized capital stock of PHILGUARANTEE to P10 billion.

1987

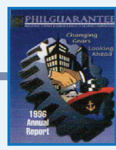
Executive Order No. 127 issued to empower PHILGUARANTEE to extend direct loans and export credit insurance. The EO abolished the Export Credit Corporation that was created under P.D. 1785, and transferred its functions to PHILGUARANTEE.

1995



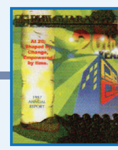
Full corporate rehabilitation program, started in 1988, completed with the conversion into equity of PHILGUARANTEE's P436 million liabilities owed to the National Government. Automatic Guarantee Line (AGL) Facility launched to accelerate utilization of PERF and PERG Programs by providing guarantee coverage to loans of PFIs without prior PHILGUARANTEE approval. Second regional field unit opened in Davao City to service clients in the Mindanao area.

1996



Term Loan Guarantee Program (TLGP) launched to provide guarantee coverage to medium and long-term loans extended by PFIs to medium and large exporter accounts under existing PERF and PERG Programs. The TLGP is intended to help exporters increase production by providing access to term financing for the upgrade of plant facilities. Third regional field unit opened in Bacolod City.

1997

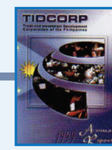


PHILGUARANTEE marked its 20th anniversary with the formal launching of Export Credit Insurance Program and the signing of Partnership Agreement with France's COFACE. Organized and hosted the APEC-funded Trade and Investment Insurance Training Program aimed at developing trade and investment insurance activities in APEC member economies. Fourth regional field office established in Legazpi City to provide service to exporters in the Bicol region and nearby Southern Luzon provinces.

1998

Republic Act No. 8494 was signed by President Fidel V. Ramos, reorganizing and renaming PHILGUARANTEE into the Trade and Investment Development Corporation of the Philippines (TIDCORP).

1999



Website launched, giving clients and the public easy access to information about the Corporation's programs and services through www.tidcorp.org.ph.

2000

Strengthened global presence by broadening strategic alliances through participation in various conferences such as the Berne Union (International Union of Credit and Investment Insurers) held in Tashkent, Uzbekistan; the Asian Regional Conference of Credit Alliance in Bangkok, Thailand; the 6th Annual Meeting of AsianExport Credit Agencies in Phuket, Thailand; and the joint meeting of the Berne Union and Eximbanks and ECAs of Eastern European countries held in Vienna, Austria.

2007

PhilEXIM, as a top adherer of corporate governance, formulated and implemented a risk-based Audit Plan that focused on the agency's core business functions, treasury, information technology and human resources.

Signed Memoranda of Understanding with Korea Export-Import Bank, the P.T. Bank Ekspor Indonesia and the Export-Import Bank of Malaysia, primarily to enhance cooperation and exchange of business insights.

2008

PhilEXIM included in the Corporate Governance Circle for GOCCs and GFIs.

2009

PhilEXIM awarded a plaque of merit on the agency's Wholesale Lending Program during the 2nd ADFIAP Annual Meeting.

2010

Operationalization of the Trade Finance and Loans System (TFLS). PhilEXIM netted Php332 Million in profit, the first on its history of financial performance.

2011

Automation of the general ledger system and framing of an Information Security Policies Manual.

2012

Over the last five years, (2008-2012) PhilEXIM reached total revenues of P3 billion, brought about by innovations in operations and financial management.

1988

Executive Order No. 64 authorized PHILGUARANTEE to transfer to the National Government non-performing accounts that were incurred by government financial institutions that included DBP and PNB, among others. The Deed of Transfer was executed in 1989.

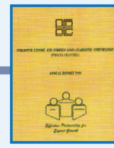
1989

PHILGUARANTEE was authorized to issue guarantees under the General Facility Program for medium- and large-scale exporters even without prior approval of the President of the Philippines.

1990

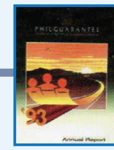
The PHILGUARANTEE Board of Directors approved a general policy framework for the corporate revitalization and financial rehabilitation of the Corporation to facilitate its transformation into the national Export Credit Agency (ECA). A US-based consultancy firm, First Washington Associate (FWA), was tapped to study and implement PHILGUARANTEE's institutional strengthening and reorganization program.

1991



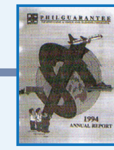
The Pre-shipment Export Finance Guarantee (PEFG) Program was launched in line with the Corporation's revitalization and new corporate thrust. PEFG allowed small and medium exporters to gain access to financing without need to put up hard collateral.

1993



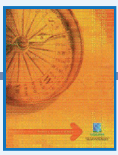
The Corporation issued a historic guarantee commitment for the US$138 million loan of Manila Electric Company (Meralco) from the Asian Development Bank for Meralco's distribution project.

1994



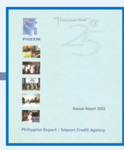
The Post-shipment Export Risk Guarantee (PERG) Program was introduced to provide guarantee coverage for export bill purchases by participating financial institutions arising from export transactions guaranteed under the PEFG Program. The new facility was designed to provide liquidity to exporters during the vital interval between shipment date and actual receipt of payment from the buyer. First field unit opened in Cebu to service exporters and clients in the Visayas region.

2001



TIDCORP launched the Medium and Long-Term Direct Lending Program (MLT-DLP) for Small, Medium and Large exporters. New offices at Citibank Center inaugurated.

2002



TIDCORP celebrates its 25 years with the distinction of being designated as the Philippine Export-Import Credit Agency per EO 85 by President Gloria Macapagal-Arroyo. It won the first Gawad Florendo Award for Public Information.

2003

PhilEXIM was given an "AAA" rating by the Philippine Rating Services Corporation (Philratings), a first for a government institution. For the second time, it was recognized with the Gawad Florendo Award for Public Information.

2004

PhilEXIM Omnibus Line and Expanded Omnibus Line Programs were consolidated into a single program to be known as the Omnibus Line under the General Facility Program.

2005

PhilEXIM signed a Memorandum of Understanding with the Korea Export Insurance Corporation (KEIC) for various trade and investment opportunities.

2006

PhilEXIM launched the Wholesale Lending Program aimed to address the need for immediate credit and development assistance to export organizations and sub-contractors. It won the ADFIAP Development Award for Best Annual Report.

LOGO EVOLUTION
1977-2016

Presidents and OICs

ROSENDO D. BONDOC
(1977-1985)

CESAR P. MACUJA
(1985-1986)
EVP - Officer-in-Charge

VICTOR C. MACALINCAG
(1986-1991* and 1991-2001)
**Concurrent Officer-in-Charge while Undersecretary of Finance (1986-1991) and Treasurer of the Philippines (1983-1988)*

JOEL C. VALDES
(2001-2004)

EDUARDO SERGIO G. EDEZA
(2004)

VIRGILIO R. ANGELO
(2004-2007)

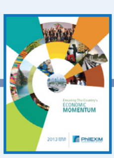
FRANCISCO S. MAGSAJO, JR.
(2008 - 2014)

BENIGNO L. ZIALCITA
(July 2014)
Officer-in-Charge

ERMILANDO D. NAPA
(2014 - 2015)

FLORENCIO P. GABRIEL, JR.
(August 2014; July 2015 - present)
SEVP - Officer-in-Charge

2013



Following the theme, "Ensuring the Country's Economic Momentum", PhilEXIM contributes to the financial upturn of the country through its role as the sovereign credit facility with a multi-sectoral development focus.

2014

Launched its Portfolio Guarantee Program aimed at SME develop by means of supporting such enterprises thru FI portfolios.

New institutional logo launched to signal change in branding.

2015

PhilEXIM was given the ADFIAP Development Award for Strategy Management

2016

PhilEXIM organized and hosted its Business Forum for Intitutional Parties, Client's and FIs.

Senior Management

(From left to right)

ATTY. FLORENCIO P. GABRIEL, JR.
Senior Executive Vice President
Corporate Resources Group

IAN A. BRIONES
First Senior Vice President
Strategy and Development Sector

ATTY. ISABELO G. GUMARU
Chief Legal Counsel and
First Senior Vice President
Legal and Asset Management Sector

ATTY. DYNAH G. NEPOMUCENO-BAYOT
Senior Vice President and Corporate Secretary
Office of the Corporate Secretary

MARILOU A. MEDINA
First Senior Vice President
Finance and Information
Management Sector

CELSO R. GUTIERREZ
First Senior Vice President
Business Revenue Group II

ATTY. EMMANUEL R. TORRES
First Senior Vice President
Business Revenue Group I

Department Heads

Top photo (from left to right):

LIEZEL E. PANGAN
Vice President
Internal Audit Office

MILAGROS M. BAET
Vice President
Corporate Governance Office

ZANDRO CARLOS P. SISON
Vice President
Corporate Planning and
Communications Department

ESTRELLITA N. TESORO
Vice President
Credit and Monitoring Department II

ARSENIO C. DE GUZMAN
Vice President
Treasury and Loan
Operations Department

ROVI M. PERALTA
Vice President
Revenue Center 2 -
Business Revenue Group I

MILDRED S. VIRAY
Vice President
Credit and Monitoring Department I

Bottom photo (from left to right):

MILDRED B. FLORES
Vice President
Finance Services
and Budget Department

EDUARDO S. ANGELES
Vice President
Revenue Center 5 -
Business Revenue Group I

EVANGELINE MAURA Q. GOTANGCO
Vice President
Revenue Center 3 -
Business Revenue Group I

ARMAND D. EUGENIO
Vice President
Risk Management Department

JULITA LEAH M. GARCIA
Vice President
Revenue Center 6 -
Business Revenue Group II

ATTY. SANDRA S. SALVADOR
Vice President
Legal and Assets Department

Good Governance

The Corporation puts utmost importance in the practice of good governance across the entire organization. In this regard, PhilEXIM is in stride with good corporate governance for a balanced and efficient organization.

PhilEXIM has a Code of Corporate Governance in place to ensure that the Corporation adheres to and consistently observes accountability, transparency, and disclosure throughout the performance of its mandates. The Board of Directors of PhilEXIM hereby adopts the Code as a mindful attempt to significantly enhance PhilEXIM's corporate organization and make it a valuable partner of the government in national development and to make it a corporation that is "competitive both locally and globally." (PHILEXIM Manual of Corporate Governance, Page 3).

As a company, our primary objective is to become the preferred credit guarantee institution facilitating international trade and investments responsive to the developmental needs of the country. We also endeavour to undertake the following actions in fulfilment of our sworn mandate (TIDCORP Quality Policy Statement):

- Operate satisfactorily statutory standards and requirements as a socially-responsive and reliable agency of the Government;
- Provide effective and efficient services that consistently meet clientele satisfaction;
- Continually improve the effectiveness of our Quality Management System based on international quality standards;
- Act as a catalyst for sustainable socio-economic development; and
- Demonstrate the corporate values of integrity, professionalism, good governance, innovation and teamwork enshrined in our institutional credo, the TIDCORP Creed.

For 2016, coordination and governance pursuits of the audit and compliance related offices of PhilEXIM– Internal Audit Office, Risk Management Dept. and the Corporate Governance Office were observed. The implementation of the Quality Management System (QMS) as part of the Corporation's initiatives toward obtaining the ISO Certification is on-going. Phase 2 (Documentation Stage) was completed in June 2016. Implementation Stage commenced in June 15, 2016. The PhilEXIM Internal Quality Audit (IQA) Team (Office Order No. 2016-092) was formed on June 20, 2016.

Likewise, the Corporate Governance Seal in compliance with GCG MC No. 2015-07: "Corporate Governance Scorecard (CGS) for GOCCs" was created.

The agency also adopted the manual of operations of the different operating units and periodically revising/ updating manuals/programs to align them with current procedures and practices. All existing MOOs approved by the Board in 2011 are being revised/updated for review by Senior Management and approval by the Board. Target completion date is by April 2017. The Risk Management Manual (RMM), has been completed and initially reviewed by the Internal Audit Office and in consonance with ISO requirements. Further enhancement will be undertaken in conjunction with the Agency's on-going ISO Project.

In support of the business execution with the guidance of the Board as the policy enabling body, meetings were held in 2016 by Board-level Committees, specifically the following: Credit, Risk Oversight, Corporate Governance, Audit, and the Finance and Business Development Committee (FBDC).

Meetings of the Senior Management Committee (SMC), were adjusted and delineated the topics of discussion for better coordination and decision-making, covering administrative, business generation, finance and compliances. In order to strengthen the relevance of the SMC, the Board approved the Committee's charter.

PhilEXIM strengthened credit risk management system to provide decision makers with timely and reliable information that permits prompt action to correct incipient problems or negative trends. As previously reported, the required design of the sub-coding of the account titles which will clearly identify the past due loans will be developed in coordination with the systems provider under Phase 2 of the Loans Management System (LMS, formerly called as Central Liability System). Said system will then be used by the Business Revenue Groups (BRG), Treasury Operations Dept. (TOD) and Finance Services Dept. (FSD).

PhilEXIM strives to maintain good working relations with all of its stakeholders. It organized the Business Forum on Guarantees as an Economic Enabler last February 24, 2016 at the Edsa Shang-ri La Hotel. The Forum is conducted to create better public awareness and understanding on the sovereign guarantee as an intrinsic element in development financing, as provided by PhilEXIM being the country's official export-import credit agency. There were one hundred ten (110) individual attendees from seventy-four (74) institutions from government, non-government, and private sectors.

Our top management, together with the members of the Board, are doing their share in learning new governance systems and policies to keep them abreast with latest trends in good governance practices. Attendance to the Corporate Governance Program, Orientation on Business Plan and Financials and On-Boarding (Office of the Secretary) was completed by Board Members in 2016. Likewise, an in-house capacity building seminar, "Capacity Building on Technical and Financial Evaluation of Renewable Energy Projects for PhilEXIM", with resource speakers from the Department of Energy was conducted for account officers. PhilEXIM actively participated in the annual meeting of Asian EXIM Banks through various relevant discussions during the technical working group and CEO Forum levels. Significant in the discussions were the strengthening of relations between and among EXIMs in the area of increasing collaborative pursuits in the name of development financing. Meetings in Indonesia as well as trainings in Malaysia and Australia were attended by key officers and staff of the Agency.

PhilEXIM's Board Level Corporate Governance and Risk Oversight Committees continued to reinforce corporate governance practices and risk management efforts within the Agency, as well as through the implementation of plans and programs by the Strategy and Development Sector via the Corporate Governance Office, in line with the overall thrust of positioning PhilEXIM as a sound and viable government financing institution.

Statement of Management's Responsibility for the Financial Statements

The Management of the **TRADE AND INVESTMENT DEVELOPMENT CORPORATION OF THE PHILIPPINES** also known as the **PHILIPPINE EXPORT-IMPORT CREDIT AGENCY (TIDCORP/PHILEXIM)** is responsible for all information and representations contained in the statements of financial position, statements of comprehensive income, statements of changes in equity and statements of cash flows as of and for the period ended December 31, 2016 and 2015. These financial statements have been prepared in conformity with Philippine Financial Reporting Standards and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stakeholders of the corporation.

The Commission on Audit (COA) has audited the financial statements of the corporation in accordance with auditing standards generally accepted in the Philippines and has expressed their opinion on the fairness of the presentation upon completion of such audit in their report to the stakeholders and Board of Directors.

ATTY. FLORENCIO P. GABRIEL, JR.
Officer-in-Charge/
Senior Executive Vice President

MARILOU A. MEDINA
First Senior Vice President
Finance and Information
Management Sector

Date: 12 April 2017

Independent Auditor's Report on the Financial Statements

Republic of the Philippines
Commission on Audit
Commonwealth Avenue, Quezon City

THE BOARD OF DIRECTORS
Trade and Investment Development Corporation of the Philippines
Philippine Export-Import Credit Agency
17/F Citibank Tower, Citibank Plaza
Valero Street, Makati City

Report on the Financial Statements
We have audited the accompanying financial statements of Trade and Investment Development Corporation of the Philippines (TIDCORP) also knows as Philippine Export-Import Credit Agency (PhilEXIM), which comprise the statements of financial position as at December 31, 2016 and 2015 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards and for such internal control as Management determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Public Sector Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating and appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Basis for Qualified Opinion
Bad debts expense of P281.824 million for CY 2016 and P88.420 million for CY 2015 was understated by P1.502 billion and P539.724 million, respectively, thereby understating TIDCORP's recorded loss of P264.859 million for CY 2016 and P12.045 million for CY 2015 by the same amounts due to non-compliance with the Bangko Sentral ng Pilipinas regulations on loan classification and provisioning requirements.

Opinion
In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly the financial position of TIDCORP as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements
Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation Nos. 15-2010 and 19-2011 in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management of TIDCORP. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

GLORIA O. LACSON
Officer-in-Charge
Supervising Auditor

May 18, 2017

Statements of Financial Position

As at December 31, 2016 and 2015
(In Philippine Peso)

	Note	2016	2015 (As restated)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	4	481,215,167	330,619,555
Financial assets - available-for-sale (AFS)	5	476,953,000	575,887,613
Loans and receivables, net	6.1	45,159,483	66,753,933
Other current assets	11.1	17,753,312	18,970,135
		1,021,080,962	**992,231,236**
NON-CURRENT ASSETS			
Loans and receivables, net	6.2	349,874,793	537,204,273
Investment property, net	7	64,818,402	57,166,643
Property and equipment, net	8	69,035,218	70,200,121
Intangible assets, net	9	900,296	1,367,043
Deferred tax asset	10	221,860,416	102,706,897
Other non-current assets	11.2	16,811,225	18,357,029
		723,300,350	**787,002,006**
TOTAL ASSETS		**1,744,381,312**	**1,779,233,242**
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	12	373,724,268	121,408,880
Interest payable	14	4,133,767	3,661,778
Loans payable	13,14	855,000,000	900,000,000
Accrued expenses	15	11,501,311	9,550,586
Unearned income	16	28,647,188	42,199,254
Other payables	17	81,074,743	42,751,897
		1,354,081,277	**1,119,572,395**
NON-CURRENT LIABILITIES			
Unearned income	16	3,016,263	7,816,263
Deferred tax liability	10	521,178	943,214
		3,537,441	**8,759,477**
TOTAL LIABILITIES		**1,357,618,718**	**1,128,331,872**
EQUITY			
Capital stock		5,461,899,438	5,461,899,438
Deficit		(5,035,580,001)	(4,770,695,455)
Net unrealized gain (loss) on AFS financial assets		(39,556,843)	(40,302,613)
TOTAL EQUITY	**18**	**386,762,594**	**650,901,370**
TOTAL EQUITY and LIABILITIES		**1,744,381,312**	**1,779,233,242**

The Notes on pages 30 to 39 form part of these financial statements.

Statements of Comprehensive Income

For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	Note	2016	2015 (As restated)
REVENUE			
Operating income		171,143,960	292,317,370
Other income		72,831	784,152
	20	171,216,791	293,101,522
EXPENSES			
Operating expenses:			
Bad debts expense		354,743,434	88,420,245
Personal services	21	91,276,504	103,481,864
Depreciation expense		9,663,926	10,223,174
Other services		8,826,903	8,039,703
Rent, light and water		6,608,636	6,827,702
Audit fees and services		3,833,977	3,501,421
Repairs and maintenance		3,534,353	2,516,169
Communication expense		3,509,051	3,527,362
Administration expense		3,306,866	2,545,765
Licenses and taxes		2,398,872	2,730,750
Business development expense		2,248,783	2,546,842
Insurance		2,081,447	1,798,426
Amortization expense		1,793,894	4,766,815
Staff training and development		1,298,749	1,198,206
Travelling expense		1,067,206	1,686,088
Representation expense		778,430	907,052
Supplies and materials		770,251	721,631
Legal fees and other services		680,800	44,233
Fuel, oil and lubricants		607,390	651,976
Dues and subscription		285,540	409,955
Consultancy expense		187,356	836,552
Donation and contribution		99,974	-
Miscellaneous expense		219,379	273,423
Other expenses:			
Interest and financial charges		49,810,725	63,270,802
		549,632,446	310,926,156
INCOME (LOSS) BEFORE INCOME TAX		**(378,415,655)**	**(17,824,634)**
INCOME TAX EXPENSE	**10**		
Current tax		6,338,624	7,019,645
Deferred tax		(119,895,171)	(12,799,588)
		(113,556,547)	(5,779,943)
NET INCOME (LOSS)		**(264,859,108)**	**(12,044,691)**
OTHER COMPREHENSIVE INCOME (LOSS)			
Unrealized gain (loss) - AFS		1,065,386	(22,432,463)
Tax expense		(319,616)	6,729,739
NET OTHER COMPREHENSIVE INCOME (LOSS)		**745,770**	**(15,702,724)**
TOTAL COMPREHENSIVE INCOME (LOSS)		**(264,113,338)**	**(27,747,415)**

The Notes on pages 30 to 39 form part of these financial statements.

Statements of Changes in Equity

For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	Note	Capital stock 18.1	Deficit 18.2	Other comprehensive income - AFS 18.3	Total
Balance, January 1, 2015		5,461,899,438	(4,769,811,168)	(24,599,889)	667,488,381
Add/(Deduct):					
Prior period errors			11,160,404		11,160,404
Balance, December 31, 2015, as restated		5,461,899,438	(4,758,650,764)	(24,599,889)	678,648,785
Decrease in fair value adjustment		-	-	(15,702,724)	(15,702,724)
Net loss		-	(12,044,691)	-	(12,044,691)
Balance, December 31, 2015		**5,461,899,438**	**(4,770,695,455)**	**(40,302,613)**	**650,901,370**
Increase in fair value adjustment		-	-	745,770	745,770
Reversal of forex gains (losses)			(25,438)		(25,438)
Net income		-	(264,859,108)	-	(264,859,108)
Balance, December 31, 2016		**5,461,899,438**	**(5,035,580,001)**	**(39,556,843)**	**386,762,594**

The Notes on pages 30 to 39 form part of these financial statements.

Statements of Cash Flows

For the Years Ended December 31, 2016 and 2015
(In Philippine Peso)

	2016	2015 (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Guarantee, interest and premium receipts	103,671,672	134,654,603
Miscellaneous receipt	54,007,154	57,083,358
Cash payments to employees and suppliers	(130,639,721)	(158,604,069)
Collection of loans receivables	69,987,495	348,354,458
Loan releases	(69,007,101)	(86,170,905)
Receivables from subrogated claims on default guaranteed accounts	88,169,374	(35,951,361)
Other receivables, net	(522,512)	2,709,189
Deposits from customers and contractors	48,170,041	34,457,166
Payment to clients/government agencies	3,001,902	5,314,754
Payment for government taxes	(12,155,529)	(16,855,565)
Net cash provided by operating activities	154,682,775	284,991,628
CASH FLOWS FROM INVESTING ACTIVITIES		
Net placements/proceeds of matured securities	94,553,020	388,719,486
Purchase of property, plant and equipment	(5,969,679)	(6,201,870)
Net cash provided by investing activities	88,583,341	382,517,616
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid		(48,605,119)
Corporate Borrowings	(45,000,000)	
Guarantee fee due to the National Government	(4,950,000)	(5,061,111)
Lenders representing amortization of borrowings		(810,000,000)
Lenders for interest and financial charges	(42,793,335)	(57,666,664)
Net cash used in financing activities	(92,743,335)	(921,332,894)
Effect of exchange rate changes on cash on hand and in banks	72,831	809,589
NET INCREASE (DECREASE) IN CASH ON HAND AND IN BANKS	**150,595,612**	**(253,014,061)**
Cash and cash equivalents at beginning of period	330,619,555	583,633,616
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**481,215,167**	**330,619,555**

The Notes on pages 30 to 39 form part of these financial statements.

Notes to Financial Statements

December 31, 2016 and 2015
(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL/CORPORATE INFORMATION

The Trade and Investment Development Corporation of the Philippines (TIDCORP), formerly known as the Philippine Export and Foreign Loan Guarantee Corporation (PHILGUARANTEE), is a wholly-owned government financial institution attached to the Department of Finance (DOF). Established on January 31, 1977 by virtue of Presidential Decree (PD) No. 1080, the Corporation was renamed TIDCORP and granted expanded functions by Republic Act (RA) No. 8494 on February 12, 1998. To strengthen its role in the development and expansion of international trade, as well as to effectively respond to the economic requirements of the country, TIDCORP was designated as the Philippine Export-Import Credit Agency by virtue of Executive Order No. 85 on March 18, 2002.

TIDCORP's corporate objective is to contribute to the country's economic development as the Philippine Export-Import Credit Agency providing guarantees, credits, insurance and technical assistance services. Its mission is to stimulate, increase and develop the export of goods and services by assuring speedy and unobstructed access to trade finance for viable exporters, especially the small and medium enterprises and to help generate employment in the export sector. Moreover, its programs and services also aim to support projects in priority areas of the National Government where the country has distinct advantage and where foreign exchange may be generated and/or saved.

Pursuant to PD No. 1080 as amended by RA No. 8494, TIDCORP's expanded functions are the following:

a. To promote and facilitate the entry of foreign loans into the country for development purposes having special regard to the needs of export-oriented industries, industries registered with the Board of Investments, public utilities, and industries the promotion of which is encouraged by government policy;

b. To guarantee loans granted by Philippine banking and financial institutions to qualified exporters, producers of export products, and contractors with approved service contracts abroad;

c. To facilitate and assist in the implementation of approved service contracts abroad entered into by Philippine entities, enterprises, or corporations with foreign exchange earning potentials, by providing counter-guarantees to Philippine banks and financial institutions issuing stand-by Letters of Credit or of Letters of Guarantee for the performance of said service contracts;

d. To meet requests from domestic entities, enterprises, and corporations to assist them in the coordination of their development and expansion plans with a view to achieving better utilization of their resources;

e. To provide technical assistance in the preparation, financing and execution of development or expansion of programs, including the formulation of specific project proposals; and

f. To undertake such actions that is consistent with the primary purposes of the Corporation.

The registered office address of the Corporation is at 17th Floor Citibank Tower, Citibank Plaza, Valero St., Makati City.

The financial statements of the Corporation as of and for the year ended December 31, 2016 (including the comparative financial statements as of and for the year ended December 31, 2015) were authorized for issue by the Corporation's Board of Directors (BOD) on January 18, 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation of financial statements

(a) Statement of compliance with Philippine Financial Reporting Standards

The financial statements of TIDCORP for the years ended December 31, 2016 and 2015 have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and applicable rules and regulations of the Bangko Sentral ng Pilipinas (BSP).

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of financial statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, Presentation of Financial Statements. TIDCORP presents all items of income and expenses and other comprehensive income in a single statement.

(c) Functional and presentation currency

These financial statements are presented in Philippine pesos, TIDCORP's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of TIDCORP are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Corporation operates.

2.2. Adoption of new and amended PFRS

Discussed below are the relevant information about these amendments and improvements.

(a) Effective in 2016 that are relevant to the Corporation

(i) Amendments to PAS 1, Presentation of Financial Statements-Disclosure Initiatives – The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

The amendment also introduced that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented in aggregate as single line items based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss.

It further illustrates ways that in determining the order of presentation of the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(b) Effective in 2016 that are not relevant to the Corporation

(i) Amendments to PFRS 11, Accounting for Acquisitions of Interests in Joint Operation – The amendment requires that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting.

Specifically, an investor will need to: (a) measure identifiable assets and liabilities at fair value; (b) expense acquisition-related costs; (c) recognize deferred tax; and (d) recognize the residual as goodwill. All other principles of business combination accounting apply unless they run contrary or in conflict with PFRS 11.

(ii) PFRS 14, Regulatory Deferral Accounts – An entity that already presents financial statements in accordance with PFRS is not eligible to apply PFRS 14. The Standard permits an entity that is a first-time adopter of PFRS to continue to use its previous GAAP accounting policies for its rate-regulated activities. Application of the Standard is not mandatory, but if a first-time adopter of PFRS is eligible to apply the Standard, it must elect to do so in its first PFRS financial statements. If it does not, the entity will not be eligible to apply the Standard in subsequent periods.

(iii) Amendments to PAS 16 and PAS 38, Clarification of Acceptable Methods of Depreciation and Amortization – The amendment in PAS16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment.

In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iv) Amendments to PAS 16 and PAS 41, Agriculture Bearer Plants – The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, Accounting for Government Grants and Disclosure of Government Assistance, will apply. This amendment is not expected to have an impact as the Corporation has no bearer plants.

(v) Amendments to PAS 27, Equity Method in Separate Financial Statements – The amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendment will not have any impact on the Corporation's financial statements.

(vi) Amendments to PFRS 10, PRFS 12 and PAS 28, Investment Entities: Applying the Consolidation Exception – The amendments address issues that has arisen in applying the investment entities exception under PFRS 10. The amendments to PFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to PFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to PAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

(vii) Annual Improvements to PFRS (2012 – 2014 Cycle). The Annual Improvements to PFRSs 2012 – 2014 cycle have no significant impact to the financial statements of the Corporation.

- Amendment to PFRS 5, Changes in Methods of Disposal – The amendment clarifies that changing from a disposal through sale to a disposal through distribution should not be considered to be a new disposal, rather it is a continuation of the original disposal. The amendment also clarifies that changing the disposal method does not change the date of classification.

- Amendment to PFRS 7, Servicing Contracts – In PFRS 7, the entity is required to present a disclosure for any continuing involvement in a transferred asset that is already derecognized. The amendment clarifies that a servicing contract that entails a fee can comprise a continuing involvement in the derecognized asset. As such, the entity must evaluate the nature of the fee and arrangement against the regulation for continuing involvement with PFRS 7 in order to assess whether disclosures are needed.

- Amendment to PFRS 7, Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements – This amendment is applied retrospectively and explained that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial statements unless they provide a significant update to the information presented in the most recent annual financial statements.

- Amendment to PAS 19, Discount Rate: Regional Market Issue – This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- Amendment to PAS 34, Disclosure of Information "elsewhere in the interim financial report' – The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross- reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

(c) Effective subsequent to 2016 but not adopted early

The following pronouncements listed below are issued but not yet effective. Unless otherwise indicated, the Corporation does not expect that the future adoption of these pronouncements will have a significant impact on its financial statements.

Effective annual periods beginning on or after January 1, 2017:

(i) Amendment to PAS 7, Cash Flow Statements – Disclosure Initiative – These amendments PAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure initiative, which continues to explore how financial statements disclosure can be improved.

(ii) Amendments to PAS 12, Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses – These amendments clarify the requirements for recognizing deferred tax assets on unrealized losses. The amendments clarify accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. They also clarify certain other aspects of accounting for deferred tax assets.

Effective for reporting periods beginning or after January 1, 2018:

(iii) Amendments to PFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions – These amendments clarify the accounting for cash-settled share-based payment transactions that include a performance condition, classification of share-based payment transactions with net settlement features and accounting for modifications of share-based payment transactions from cash –settled to equity-settled.

(iv) PFRS 9, Financial Instruments – PFRS 9 requires an entity to classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. A financial asset shall be measured at amortized cost if both of the following conditions are met: (a) The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, an entity may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an 'accounting mismatch') that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

A financial asset shall be measured at fair value unless it is measured at amortized cost.

A gain or loss on a financial asset that is measured at fair value shall be recognized in profit or loss. However, at initial recognition an entity may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading. If an entity makes the election, it shall recognize in profit or loss dividends from that investment when the entity's right to receive payment of the dividend is established.

(v) Amendments in Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts – The amendments to PFRS 4 provide two options for entities that issue insurance contracts. An option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach and an optional temporary exemption from applying PFRS 9 for entities whose predominant activity is issuing contracts within the scope of PFRS 4; this is the so-called deferral approach.

(vi) PFRS 15, Revenue from Contract Customers – The amendments address three topics: identifying performance obligations, principal versus agent considerations and licensing. PFRS 15 requires an entity to identify performance obligations on the basis of distinct promised goods or services. When another party is involved in providing goods or services to a customer, it requires an entity to determine whether it is the principal in the transaction or the agent on the basis of whether it controls the goods or services before they are transferred to the customer. When an entity grants a license to a customer that is distinct from other promised goods or services, the entity has to determine whether the license is transferred at a point in time or over time on the basis of whether the contract requires the entity to undertake activities that significantly affect the intellectual property to which the customer has rights.

Effective for reporting periods beginning or after January 1, 2019:

(vii) PFRS 16 – Leases – The new accounting model under PFRS 16 requires a lessee to recognize a right-of-use asset and a lease liability. The right of use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. This will typically produce a front-loaded expense profile as an assumed linear depreciation of the right-of-use asset and the decreasing interest on the liability will lead to an overall decrease of expense over the reporting period. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating distinction between operating and finance leases. Lessor accounting however remains unchanged and the distinction between operating and finance lease is retained. PFRS 16 is likely to have a significant impact on the financial statements of a number of lessees. The new standard will affect both the balance sheet and related ratios, such as debt/equity ratios. Depending on the particular industry and the number of lease contracts previously classified as operating leases under PAS 17, the new approach will result in a significant increase in debt on the balance sheet.

2.3. Financial assets

Financial assets, which are recognized when TIDCORP becomes a party to contractual terms of the financial instrument, include cash and other financial instruments. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32. All other non-derivative financial instruments are treated as debt instruments.

2.3.1. Classification and measurement of financial assets

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: loans and receivables, held-to-maturity (HTM) investments and available-for-sale (AFS) securities. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the financial instruments were acquired and their characteristics.

Purchases and sales of financial assets are recognized on their settlement date. A more detailed description of the four categories of financial assets follows:

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These arise when the TIDCORP provides money, goods or services directly to the debtor with no intention of trading the receivables.

TIDCORP financial assets categorized as loans and receivables are presented as Cash and cash equivalents and Loans and receivables in the statement of financial position. Cash and cash equivalents consist of cash and other cash items, amounts due from banks and foreign currency notes and coins. Loans and receivables include loans to customer and all receivables from customers and banks. Those with maturities of less than one year are included in the current assets, and those with maturities greater than twelve months after the statement of financial position date are classified as non-current assets.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any. Any change in value of loans and receivables is recognized in profit and loss, except for reclassified financial assets under PAS 39 and PFRS 7. Increases in estimates of future cash receipts from financial assets that have been reclassified in accordance with PAS 39 and PFRS 7 shall be recognized as an adjustment to the effective interest rate from the date of the change in estimate.

(b) AFS securities

AFS financial assets are non-derivative financial assets that are either designated as available for sale that the Corporation's management purchased and held indefinitely and will be available to be sold when the need for liquid funds arises during operating cycle or those that do not qualify for inclusion in any of the other categories of financial assets.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in other comprehensive income, net of any effects arising from income taxes. When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit and loss.

2.3.2. Impairment of assets

TIDCORP assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of TIDCORP about certain loss events, including, among others: (i) significant financial difficulty of the issuer or debtor; (ii) a breach of contract, such as a default or delinquency in interest or principal payments; (iii) the probability that the borrower will enter bankruptcy or other financial reorganization; (iv) the disappearance of an active market for that financial asset because of financial difficulties; or, (v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot be identified yet with the individual financial assets in the group.

TIDCORP recognizes impairment loss based on the category of financial assets as shown below.

(a) Carried at amortized cost – loans and receivables

TIDCORP first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If TIDCORP determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, TIDCORP includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If a loan and receivable has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, TIDCORP may measure impairment on the basis of an instrument's fair value using an observable market price. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosures less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics, i.e., on the basis of TIDCORP's or BSP's grading process that considers asset type, industry, collateral type, status and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows for groups of assets should reflect and be consistent with changes in related observable data from period to period. The methodologies and assumptions used for estimating future cash flows are reviewed regularly by TIDCORP to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures, including approval from the management and the BOD, have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognized as an income, in the statement of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

When possible, TIDCORP seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans' original effective interest rate. The difference between the carrying value of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in profit or loss as part of Impairment Losses account.

(b) Carried at fair value – AFS financial assets

In the case of investments classified as AFS securities, reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

2.3.3. Items of income and expense related to financial assets

Gains and losses arising from changes in the fair value of AFS securities are recognized in other comprehensive income until the financial asset is derecognized or impaired, at which time the cumulative gain or loss previously recognized in other comprehensive income shall be reclassified to profit or loss.

Non-compounding interest, dividend income and other cash flows resulting from holding impaired financial assets are recognized in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

2.3.4. Derecognition of financial assets

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If TIDCORP neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Corporation recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

If TIDCORP retains substantially all the risks and rewards of ownership of a transferred financial asset, TIDCORP continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.4. Property and equipment (PE)

PE includes office condominium, transportation and equipment which are carried at cost less accumulated depreciation, amortization and any impairment in value. COA Circular No. 2015-007 dated October 22, 2015, "Prescribing the Government Accounting Manual for Use of All National Agencies" sets the policy by which government assets may be categorized as inventories and as PE.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation on asset is calculated using the straight-line method to allocate the cost of the asset net of residual value of ten percent of cost over its estimated useful life as prescribed by COA Circular No. 2003-007 dated December 11, 2003 on "Revised estimated useful life in computing depreciation for government property, plant and equipment". The Circular was issued to provide policies and guidelines on the computation of depreciation of government property, plant and equipment and to provide useful lives, as follows:

Buildings	30 to 50 years
Office equipment, furniture, fixtures and books	2 to15 years
Transportation equipment (motor vehicles)	5 to 15 years
Leased assets and improvements	Over the useful life of the leased asset/improvement or lease term, whichever is shorter
Other property, plant and equipment	2 to 15 years

Depreciation shall be for one month if the PE is available for use on or before the 15th of the month. However, if the PE is available for use after the 15th of the month, depreciation shall be for the succeeding month.

Depreciation of one month is charged to operations on the month following the date of purchase.

Major repairs/renovations are depreciated over the remaining useful life of the related asset. The assets' useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

At each statement of financial position date, the Corporation reviews the carrying amount of its tangible assets to determine whether there are any indicators of impairment. If indicators of impairment exist then the recoverable amount of an asset is estimated. If the recoverable amount of an asset is less than its carrying amount, the difference is recognized in the income statement as an impairment loss.

An item of PE is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in the income statement in the year of derecognition.

2.5. Investment Property (IP)

IPs are initially recorded at cost, which includes directly attributable costs incurred. It is subsequently measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation on asset is calculated using the straight-line method to allocate the cost of the assets net of residual value of ten percent of cost over its estimated useful life.

IP includes real and other properties acquired (ROPA) in settlement of loans and receivables under the Direct Lending and Guarantee Programs, through foreclosure or dacion in payment. These properties are initially booked at the carrying amount of the loan (i.e., outstanding loan balance less allowance for credit losses computed based on PAS 39 provisioning requirement which take into account the fair market value of the collateral) plus booked accrued interest less allowance for credit losses, plus transaction costs incurred upon acquisition (such as non-refundable capital gains tax and documentary stamp tax paid in connection with the foreclosure/purchase of the acquired real estate property). Maintenance and other carrying costs subsequent to the foreclosure or acquisition of such property are taken up as expenses. Realized gain on sale thereof is credited to income.

Pursuant to the BSP Circular No. 520 dated March 20, 2006, TIDCORP adopted the following policies in accounting for ROPA (See Note 2.2):

a. Land and buildings are accounted for using the cost model under PAS 40 "Investment Property";

b. Other non-financial assets shall be accounted for using the cost model under PAS 16 "Property Plant and Equipment";

c. Buildings and other non-financial assets are depreciated over the remaining useful life of the assets, which shall not exceed ten years and three years from the date of acquisition, respectively; and

d. Land, buildings and other non-financial assets shall be subject to the impairment provisions of PAS 36 "Impairment".

The appraisal of all ROPA is made at least every other year to determine whether impairment exists. Immediate re-appraisal is conducted on ROPA which materially decline in value.

If the recoverable amount/appraised value of ROPA is less than its carrying amount; the difference is recognized in the income statement as impairment loss – ROPA.

An IP is derecognized upon disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gains or losses on the retirement or disposal of an IP are recognized in profit or loss in the period of the retirement or disposal.

2.6. Intangible assets

Intangible assets include acquired licenses and internally developed software which are accounted for under the cost model.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the expected useful life of five years. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

Costs that are directly attributable to the development phase of new customized software for information technology and telecommunications systems are recognized as intangible assets if, and only if, the Corporation can demonstrate all of the following recognition requirements:

a. Technical feasibility of completing the prospective product for internal use or sale;

b. The intangible asset will generate probable economic benefits through internal use or sale;

c. Intention and ability to complete, i.e., availability of sufficient technical, financial and other resources necessary for completion, and use or sell the asset; and

d. Ability to measure reliably the expenditure attributable to the intangible asset during development.

Development costs not meeting these criteria for capitalization are expensed as incurred.

2.7. Provident fund

TIDCORP has a Provident Fund for the benefit of its employees. The contributions made to the Fund consist of the employees' share at five percent of basic salary which is withheld from the monthly payroll and the employer's share at 25 per cent of basic salary which is charged to Provident Fund Contributions.

2.8. Equity

Capital stock represents the value of capital paid by the National Government. Retained earnings/deficit includes all current and prior period results as disclosed in profit and loss, reduced by the amount of dividends declared.

Net unrealized fair value gains (losses) on AFS securities arise from cumulative mark-to-market valuation of outstanding AFS securities.

2.9. Revenue and expense recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Corporation and the revenues can be reliably measured.

(a) Income from guarantee operations

Guarantee fees are collected in advance upon issuance of the guarantee and periodically thereafter, based on outstanding guaranteed loan. The accounting treatment for guarantee fee income follows the accrual basis. Guarantee fees collected in advance are charged to unearned income and is distributed/amortized over the period covered by the guarantee fee.

Commitment fees are collected in advance upon issuance of the guarantee based on the undrawn balances of guaranteed loan. The accounting treatment for commitment fees is the same as that of the guarantee fee income. Processing fees are recognized upon collection.

Interest and penalties due to delay in the payment of guarantee fees and advances are recognized as income upon collection.

(b) Income from direct lending operations

Interest and similar income derived from financial instruments measured at amortized cost and interest bearing financial instruments is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset.

Interest income, processing fees and penalties due on delayed payment are recognized upon collection.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. Finance costs are reported in profit or loss on accrual basis.

2.10. Provisions

Provisions are recognized when the Corporation has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Corporation periodically reviews the quality of its real and contingent exposures in loans, other receivables and outstanding guarantees portfolio and estimates probable losses due to payment defaults, insolvency of the debtor, decline in the value of collaterals and other related factors that would render the debtor incapable of meeting financial obligations.

The Corporation's provisioning of valuation reserves on bad debts is pursuant to BSP Circular No. 247 dated June 22, 2000 and BSP Circular No. 313 dated December 27, 2001.

Under the new Capital Adequacy Ratio (CAR) framework, TIDCORP's CAR was set at seven per cent, five per cent of which should be Tier 1 capital by December 31, 2012. During the transition period beginning 2011, its CAR must not be lower than three per cent and by January 1, 2012 should be at five per cent.

As at December 31, 2016, CAR is only at 3.61 per cent and as at December 31, 2015, at 3.46 per cent, below the required benchmark approved by the BSP-MB of seven percent due to delays in the equity infusion from the National Government. In line with this development, TIDCORP is proposing for a transitory CAR of three per cent to be incorporated in the Internal Capital Adequacy Assessment Program (ICAAP), while awaiting additional equity from the National Government.

2.11. Income taxes

Tax expense recognized in the profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates and tax laws have been enacted or substantively enacted at the end of each reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which TIDCORP expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.12. Events after the end of the reporting period

Any post-year-end event that provides additional information about TIDCORP's financial position at the end of reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

TIDCORP's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates and the differences could be significant.

3.1. Critical management judgments in applying accounting policies

In the process of applying the Corporation's accounting policies, Management has used its judgment and made estimates in determining the amounts recognized in the financial statements. The most significant use of judgments and estimates are as follows:

(a) Impairment losses on loans, advances and contingent liabilities

The Corporation reviews its problem loans, advances and contingent liabilities at each reporting date to assess whether an allowance for impairment should be recorded in the profit or loss. In particular, judgment by Management is required in the estimation of amount and timing of future cash flows when determining the level of allowance required. Guided by the BSP Manual of Regulations for Non-Bank Financial Institutions (MORNB) and the relative amendments thereto, such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

(b) Recognition of provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are discussed in Note 2.21 and relevant disclosures are presented in Note 31.

3.2. Use of estimates

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next reporting period:

(a) Estimating impairment of financial assets

TIDCORP reviews its AFS securities and Loans and other receivables portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, TIDCORP makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial asset or a portfolio of similar financial assets. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

(b) Estimating useful lives of PE and IP

TIDCORP estimates the useful lives of premises, furniture, fixtures and equipment, investment properties and other properties based on the period over which the assets are expected to be available for use. The estimated useful lives of premises, furniture, fixtures and equipment, investment properties and other properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment are analyzed in Note 8 while investment properties are analyzed in Note 7.

(c) Determining realizable amount of deferred tax assets

TIDCORP reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The carrying value of deferred tax assets, which management assessed to be utilized within the next two to three years, as of December 31, 2016 and 2015 is disclosed in Note 10.

4. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2016	2015 (As restated)
Cash on hand	**19,774**	37,911
Revolving/petty cash fund	**129,101**	192,989
Cash in bank		
Foreign currency – In trust for the Bureau of Treasury (BTR)	**17,919,956**	16,848,994
Foreign currency deposits	**980,237**	737,058
Savings deposit	**741,099**	4,298,157
Special savings deposit	**461,425,000**	308,504,446
	481,215,167	330,619,555

Short-term placements are maintained as part of management's policy to secure the liquidity position of the Corporation. This assures that funds are available to meet the Corporation's current maturing obligations and other liquidity requirements. The short-term placements as at December 31, 2016 have terms ranging from 31 to 63 days and with effective interest rates at 1.25 to 1.625 per cent per annum.

Foreign currency - In trust for BTr represents a foreign currency deposit unit (FCDU) time deposit with Land Bank of the Philippines held in trust under the name of TIDCORP for the account of the BTr, which has an outstanding principal balance of US$359,746 as at 2016 converted at the of rate P49.813 per US$1.00 and US$357,228 as at end 2015 converted at P47.166 per US$1.00. This arose from court cases in the United States of America filed against TIDCORP related to a default account under the Guarantee Program of the Corporation which was turned over to the National Government in 1989 pursuant to Administrative Order (AO) No. 64 dated March 24, 1988 and Deed of Transfer dated March 31, 1989. The Department of Finance (DOF) and BTr released US$5.000 million on April 26, 2002 per DOF letter-instruction to BTr of even date. However, the final settlement agreement amounted to only US$4.800 million between TIDCORP and Fidelity Partners, Inc., thus a balance of US$0.200 million.

Over the years, TIDCORP administered the fund by maintaining the same in time deposit accounts yielding net interest income of US$159,744.57 from April 26, 2002 to December 31, 2016 and US$157,227.54 up to December 31, 2015.

5. FINANCIAL INVESTMENTS - AVAILABLE FOR SALE

This account is composed of the following:

	Treasury Bonds	Retail Treasury Bonds	FCD ROP Bonds*	Total
Balance, January 1, 2015	579,137,368	372,842,554	34,859,262	986,839,184
Acquisitions/Additions	-	206,630,257	-	206,630,257
Sales/Reductions	(206,630,257)	(353,659,846)	(34,859,262)	(595,149,365)
Fair value gains (losses)	(14,258,353)	(8,174,110)	-	(22,432,463)
Balance, December 31, 2015 as restated	358,248,758	217,638,855	-	575,887,613
Acquisitions/Additions	-	-	-	-
Sales/Reductions	-	(100,000,000)	-	(100,000,000)
Fair value gains (losses)	(2,594,893)	3,660,280	-	1,065,387
Balance, December 31, 2016	**355,653,865**	**121,299,135**	**-**	**476,953,000**

**Foreign Currency Denominated/Republic of the Philippines*

The Corporation's AFS investments are stated at their market values with accumulated unrealized loss of P56.510 million as of December 31, 2016 and P57.575 million as of December 31, 2015 reflected as fair value adjustments in the statement of changes in equity. These investments are classified as current assets with the intention to dispose anytime within 12 months from the statement of financial position date.

6. LOANS AND RECEIVABLES

6.1. Current

This account consists of the following:

	2016	2015 (As restated)
Loans receivable – current	**30,224,865**	50,744,271
Interest receivable on investments	**8,339,087**	8,431,450
Accounts receivable – current	**5,779,087**	4,835,909
Interest receivable – loans	**1,846,914**	2,363,569
Guarantee fees receivable	**-**	1,045,989
	46,189,953	67,421,188
Allowance for doubtful accounts	**294,894**	507,443
Loans receivable – discount	**735,576**	159,812
	1,030,470	667,255
	45,159,483	66,753,933

Loans receivable – current represents the outstanding balance of loan releases to clients under the Retail Direct Lending (RDL) and the Wholesale Lending Programs (WLP).

Per MORNB, non-performing loans shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for 30 days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing. In the case of loans payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three or more installments are in arrears. In the case of loans payable in daily, weekly or semi-monthly installments, the entire outstanding balance of the loan/receivable shall be considered as past due when the total amount of arrearages reaches 10 per cent of the total loan/receivable balance. Restructured loans shall be considered non-performing except when as of restructuring date, it has an updated principal and interest payments and it is fully secured by real estate with loan value of up to 60 per cent of the appraised value of real estate security and the insured improvements and such other first class collaterals.

Accounts receivable represents trade receivables from clients under the different program offerings, namely: guarantee, direct lending, and credit insurance programs, including default accounts with court-approved compromise agreements with TIDCORP amounting to P4.800 million in CYs 2016 and 2015 to be collected within one year.

Guarantee fees receivable represents guarantee fees due on the interest portion of the guaranteed obligations of the Corporation from one account.

Interest receivable on loans represents accrued interest receivable from loans receivable with current status as at statement of financial position date. Section 4 of BSP Circular No. 202, series of 1999 provides that no accrual of interest income is allowed if a loan has become non-performing. Interest on non-performing loans shall be taken up as income only when actual collections thereon are received.

Interest receivable on investments represents accrued interest receivable from investments in government-issued debt instruments, government bank products and other investments, broken down as follows:

	2016	2015 (As restated)
Treasury bonds	**6,107,597**	6,229,541
Philippine interest reduction bonds	**1,725,571**	1,725,571
Special savings deposit	**504,342**	474,761
Foreign currency denominated time deposit	**1,577**	1,577
	8,339,087	8,431,450

6.2. Non-current

This account consists of the following:

	2016	2015 (As restated)
Loans receivable – non-current, net	**348,840,807**	442,950,246
Accounts receivable – clients	**1,033,986**	1,033,985
Receivable from subrogated claims	**-**	88,420,042
Accounts receivable – compromise agreements	**-**	4,800,000
	349,874,793	537,204,273

Loans receivable – non-current, net represents the long-term portion of the outstanding balance of the loans receivable originated by the enterprise under the RDL and WLP. Total loan releases amounted to P69.007 million while loan collections/recoveries amounted to P91.844 million. The amortization of loans receivable discounts amounted to P424,322. Details follow:

	2016	2015 (As restated)
Loans receivable	**606,378,310**	608,696,136
Allowance for doubtful accounts	**(257,537,503)**	(165,594,448)
Loans receivable discount	**-**	(151,442)
	348,840,807	442,950,246

Accounts receivable – compromise agreements represents receivables arising from compromise agreement mutually and freely agreed upon by TIDCORP and various default accounts and duly approved by the Court in 2010, with an outstanding balance of P4.800 million is due to be collected in 2017 covered by an agreement with Paramount Insurance Corporation, the surety of a default account, Asia Paces Corporation and Roblett Industrial Corporation, Inc.

Receivables from subrogated claims represents advances made by TIDCORP to creditor-banks or assumption of the guaranteed portion of the loan and interest as well as other charges related thereto and the restructured accounts of defaulting clients under the Guarantee Program. These claim payments cover the period from 1980 to 2016. The guarantee accommodations for these accounts were issued during the period 1979 to 2007. Details follow:

	2016	2015 (As restated)
Receivable from subrogated claims	**2,506,987,910**	2,595,407,952
Allowance for doubtful accounts	**(2,506,987,910)**	(2,506,987,910)
	-	88,420,042

The net receivable from subrogated claims of P88.420 million as at December 31, 2015 represents a receivable from the Government Service Insurance System (GSIS) relative to the approved insurance claim on insured buildings and machineries of a default account which was collected in 2016.

From 2007 to 2015, TIDCORP settled advances on called guarantees for the following accounts:

	2016	2015	2014 and Prior	Total
General Facility Program				
World Granary Inc.	-	35,951,361	2,251,619,775	2,287,571,136
Software Ventures Inc.			308,186,956	308,186,956
Metrostar Ferry, Inc.	-	-	153,947,717	153,947,717
	-	35,951,361	2,713,754,448	2,749,705,809
Small and Medium Enterprises Program				
Gibon Furniture Center	-	-	6,600,984	6,600,984
Southwoods Apparel Inc.	-	-	4,785,928	4,785,928
Beve Sea Enterprises	-	-	1,489,856	1,489,856
Factory Direct Ventures, Co. Ltd.	-	-	535,884	535,884
E & B Industries	-	-	2,775,943	2,775,943
	-	-	16,188,595	16,188,595
	-	**35,951,361**	**2,729,943,043**	**2,765,894,404**

As a result of the call on the guarantees issued in favor of the creditor-banks, TIDCORP settled advances on these default accounts aggregating to P2.766 billion for the principal and interest amortizations covering the period from December 2006 to December 2015 for large and SME accounts. For World Grannary, Inc. (WGI), a total of P2.288 billion has been paid representing principal and interest amortizations to the Robinson's Bank (formerly Royal Bank of Scotland/ABN-AMRO), United Coconut Planters Bank (UCPB) – Commercial, UCPB – Savings, UCPB – Trust and the Philippine Bank of Communications (PBCom) covering the period December 2006 to December 2015 based on the Court's order as embodied in the approved Rehabilitation Program of WGI issued in June 2008.

Details of the allowance for bad debts for the receivables from subrogated claims follow:

	2016	2015
General Facility Program		
World Granary Inc.	**2,199,151,093**	2,199,151,093
Software Ventures Inc.	**286,935,252**	286,935,252
Guimba Development Corp.	**20,584,180**	20,584,180
	2,506,670,525	2,506,670,525
Small and Medium Enterprises Program		
E & B Industries	**317,601**	317,601
Forram Corporation	**(316)**	(316)
	317,285	317,285
Written off accounts	**100**	100
	317,385	317,385
	2,506,987,910	2,506,987,910

7. INVESTMENT PROPERTY

This account represents the cost of acquired assets or ROPA by the Corporation through dacion in payment or foreclosure in settlement of loans under the Direct Lending and Guarantee Programs accounted for in accordance with PAS 40, as follows:

	2016	2015 (As restated)
Cost		
Balance, January 1	**101,082,823**	102,746,238
Additions	**12,084,421**	406,865
Disposal/Retirement	**(910,000)**	(2,070,280)
Reclassification	**-**	
Balance, December 31	**112,257,244**	101,082,823
Accumulated depreciation		
Balance, January 1	**23,163,558**	19,712,393
Depreciation	**3,850,262**	3,920,140
Disposal/Retirement	**(327,600)**	(468,975)
Adjustment	**-**	-
Balance, December 31	**26,686,220**	23,163,558
Accumulated impairment		
Balance, January 1	**20,752,622**	20,752,622
Impairment	**-**	-
Disposal/Retirement	**-**	-
Balance, December 31	**20,752,622**	20,752,622
	64,818,402	57,166,643

As of December 31, 2016, the appraised value of said assets amounted to P229.363 million based on appraisals conducted in 2010 to 2016.

8. PROPERTY AND EQUIPMENT

This account consists of the following:

	Building	Transportation Equipment	Office Equipment	IT Equipment	Total
Cost					
January 1, 2016	87,456,709	14,905,268	13,535,243	29,450,854	145,348,074
Additions	-	-	642,799	5,799,855	6,442,654
Disposal/Retirement	-	-	-	-	-
Reclassification	-	-	-	-	-
December 31, 2016	87,456,709	14,905,268	14,178,042	35,250,709	151,790,728
Accumulated depreciation					
January 1, 2016	32,268,260	10,218,703	10,666,553	18,574,141	71,727,657
Depreciation	2,738,406	701,353	2,196,640	1,971,158	7,607,557
Disposal/Retirement	-	-	-	-	-
Reclassification	-	-	-	-	-
December 31, 2016	35,006,666	10,920,056	12,863,193	20,545,299	79,335,214
Accumulated impairment					
January 1, 2016	-	942,785	723,533	1,753,978	3,420,296
Impairment	-	-	-	-	-
Disposal/Retirement	-	-	-	-	-
Reclassification	-	-	-	-	-
December 31, 2016	-	942,785	723,533	1,753,978	3,420,296
Net book value, December 31, 2016	**52,450,043**	**3,042,427**	**591,316**	**12,951,432**	**69,035,218**
Net book value, December 31, 2015 as restated	55,188,449	3,743,780	2,145,157	9,122,735	70,200,121

Based on appraisals conducted in October 2016 and November 2015, the total PE has appraised value of P145.041 million and P138.487 million, respectively. Details follow:

	2016	2015
Building	**119,590,000**	125,960,000
Land transportation	**8,940,000**	7,605,000
Equipment, furniture and fixtures	**16,510,707**	4,921,890
	145,040,707	138,486,890

9. INTANGIBLE ASSETS

This account represents the automated systems developed and launched by the Corporation from 2008 to 2016 at an amortized cost of P900,296 covering backroom operations in line with the corporate initiative to improve turn-around time and benchmark with real-time processing through the automation of major processes. The automated systems primarily comprised of the following:

9.1. Trade Finance and Loan System (TFLS)

TFLS is the system that manages and controls the back-end operations and activities in processing various programs of the Corporation, namely, guarantee, lending and credit insurance.

9.2. Financial Information System (FIS)

FIS is the General Ledger system that will consolidate all financial transactions of the Corporation and consequently provide Management with accurate, timely and complete financial reports. It is composed of the different modules, namely, Oracle Inventory, Oracle Purchasing and Oracle Financials.

The FIS was developed in 2012 to automate the processing and consolidation of all financial transactions of the Corporation.

9.3. Human Resource Information System (HRIS)

HRIS is the automated system covering the human resource processes on payroll, compensation and benefits, time and attendance, and 201 files.

10. CURRENT AND DEFERRED TAXES

The components of tax expense relating to profit or loss and other comprehensive income follow:

	2016	2015
Reported in profit or loss		
Current tax expense:		
Regular corporate income tax at 30%	**-**	-
Final tax at 20% and 7.5%	**6,338,624**	7,019,645
	6,338,624	7,019,645
Deferred tax expense (income) relating to origination and reversal of temporary differences	**(119,895,171)**	(12,799,588)
	(113,556,547)	(5,779,943)
Reported in other comprehensive income		
Deferred tax expense (income) relating to origination and reversal of temporary differences	**16,952,933**	17,272,549

A reconciliation of tax on pre-tax profit computed at the applicable statutory rates to tax expense reported in the statements of profit or loss follows:

	2016	2015
Tax on pre-tax profit at 30%	**(113,524,696)**	(5,347,390)
Adjustment for income subjected to lower tax rates	**(9,508,171)**	(10,550,504)
Tax effects of non-deductible interest expense	**3,137,697**	3,098,305
	(119,895,171)	(12,799,588)

The net deferred tax assets relate to the following as of December 31:

	Statement of Financial Position		Profit or Loss	
	2016	2015	2016	2015
Deferred tax assets				
Unearned income	**6,818,866**	10,884,486	**(4,065,620)**	(24,119,465)
Bad debts	**162,632,624**	56,209,594	**106,423,030**	26,526,074
Impairment losses	**1,192,581**	1,192,581	**-**	-
Accrued expenses	**2,779,103**	1,940,240	**898,816**	(4,452,689)
Minimum corporate income tax	**48,652**	48,652	**-**	-
Net operating loss carry-over	**31,435,657**	14,968,029	**16,467,628**	14,968,028
Adjustment from restatement	**-**	190,766	**-**	190,766
Unrealized gain (loss) through OCI	**16,952,933**	17,272,549	**-**	-
	221,860,416	102,706,897	**119,723,854**	13,112,714
Deferred tax liability				
Unrealized foreign currency gain (losses)	**(16,419)**	(250,719)	**(16,419)**	(7,631)
Prepaid expenses	**(504,759)**	(692,495)	**187,736**	(305,495)
	(521,178)	(943,214)	**171,317**	(313,126)
Net deferred tax assets	**221,339,238**	101,763,683		
Deferred tax income (expense)			**119,895,171**	12,799,588

11. OTHER ASSETS

11.1. Current

This account covers non-trade receivables and other assets as follows:

	2016	2015 (As restated)
Receivables from BIR	**12,451,480**	11,277,171
Prepaid expenses	**2,741,860**	5,020,952
Lease payments receivable	**1,837,752**	2,068,031
Accounts receivable – officers and employees	**552,365**	461,370
Prepaid documentary stamp tax	**424,429**	86,791
Advances to officers and employees	**10,000**	1,560
Office supplies and other inventory	**(264,574)**	52,668
Other receivables	**-**	1,592
	17,753,312	18,970,135

11.2. Non-current

This account consists of the following:

	2016	2015 (As restated)
Lease payments receivable – car plan	**10,356,918**	11,971,994
Miscellaneous assets	**6,139,946**	6,070,674
Premium reserve fund	**286,499**	286,499
Non-trade receivables – net	**27,862**	27,862
Sales contract receivable	**-**	-
Accounts receivable – National Government	**-**	-
	16,811,225	18,357,029

Lease payments receivable covers outstanding receivables from TIDCORP officers who availed of car plan under lease-purchase agreement with TIDCORP, pursuant to the guidelines issued by the Office of the President of the Philippines (OP), to wit:

	2016	2015 (As restated)
Lease payments receivable	**11,175,668**	11,971,994
Allowance for bad debts	**(818,750)**	-
	10,356,918	11,971,994

Miscellaneous assets consist of the following assets of the Corporation:

	2016	2015 (As restated)
Paintings/other assets	**3,114,463**	3,114,463
Deposit to various contractors	**1,487,321**	1,487,320
Due from National Government Agencies	**902,162**	832,891
Tower club corporate membership	**636,000**	636,000
	6,139,946	6,070,674

Premium reserve fund represents TIDCORP's 40 per cent pro-rata share in its 20 per cent retention of the gross insurance premiums collected under the Credit Insurance Program which is set aside as reserves to cover future claims.

Sales contract receivable represents the balance of the selling price of acquired assets under a plan of settlement, whereby the title to said assets is transferred only to the buyer upon full payment of the agreed selling price, pursuant to BSP Circular No. 380, series of 2003. This has been fully provided for with allowance, thus net balance is nil.

	2016	2015 (As restated)
Sales contract receivable	**4,892,541**	4,892,541
Allowance for bad debts	**(4,892,541)**	(4,892,541)
	-	-

Accounts receivable – National Government represents various advances made covering legal fees for the account of the National Government pursuant to Board Resolution No. 1094 dated March 29, 1996, net of required valuation reserves.

	2016	2015 (As restated)
Accounts receivable	**6,765,588**	6,765,588
Allowance for bad debts	**(6,765,588)**	(6,765,588)
	-	-

12. ACCOUNTS PAYABLE

This account represents trade payables of the Corporation, broken down as follows:

	2016	2015 (As restated)
Pari-passu payable – banks	**374,700,967**	122,402,497
Accounts payable – clients	**74,911**	74,911
Refund of processing fees	**14,850**	14,850
Accounts payable – banks	**7,125**	7,125
Accounts payable – supplies	**2,375**	2,375
COFACE/COGERI	**862**	862
Fixed assets clearing	**(804,590)**	(810,819)
Inventory clearing	**(259,270)**	(269,959)
Others – refund	**(12,962)**	(12,962)
	373,724,268	121,408,880

Pari-passu payable – banks represents the provision for default guarantees pursuant to PAS 37 covering one account in 2016, three accounts in 2015 as well as the pro-rata share of banks from TIDCORP's collections/recoveries and proceeds from the sale of acquired assets from default accounts under the Guarantee Program.

Refund of processing fees represents processing fees for refund to prospective clients who have cancelled their application in TIDCORP's various program offerings.

COFACE represents the share of Compagnie Francaise D' Assurance Pour Le Commerce Exterieur (COFACE), TIDCORP's reinsurer under the Credit Insurance Program, in the buyers' credit limit application fees covering the cost of credit information verification conducted on the foreign buyers of the clients under the Credit Insurance Program of the Corporation.

Inventory and fixed assets clearing are holding account that represent supplies inventory/fixed assets that has been received but not yet invoiced, or invoiced and not yet received.

13. LOANS PAYABLE

This account represents the short-term loan line of P855.000 million as at December 31, 2016 with the LBP from a balance of P900.000 million as of December 31, 2015.

The credit facility with LBP was initially granted on July 17, 2008 for P200.000 million and gradually increased to P2.200 billion in August 2014.

As endorsed by the DOF, the OP approved the renewal of TIDCORP's Special Authority (SA) to borrow under its existing short-term borrowing facilities of up to P2.200 billion for a tenor of one year from Government Financial Institutions with ROP guarantee, in accordance with Section 14, General Provisions of RA No. 10633 or the FY 2014 General Appropriations Act, and Section (a) of RA No. 8494 or the TIDCORP Charter, subject to pertinent laws, rules and regulations.

14. INTEREST PAYABLE

This account represents the interest obligation of the Corporation in connection with the short-term loan line with LBP as follows:

	2016		2015	
	Principal amount	Interest obligation	Principal amount	Interest obligation
Three-month PDST-F plus spread, subject to monthly re-pricing	**380,000,000**	**2,349,245**	-	-
ROP guarantee	**475,000,000**	**1,784,522**	900,000,000	3,661,778
	855,000,000	**4,133,767**	900,000,000	3,661,778

15. ACCRUED EXPENSES

This account represents expenditures already incurred but remained unpaid as of statement of financial position date. As at December 31, 2016, accrued expenses totaled P11.501 million, of which, P6.109 million was set-up for prior years and P5.346 million was set-up for the current year. As at December 31, 2015, accrued expenses totaled P9.551 million, of which, P1.263 million was set-up for prior years and P8.751 million was set-up for the current year.

	2016	2015 (As restated)
Personal services	**6,371,399**	6,944,737
Maintenance and other operating expenses		
Audit fees and other services	**1,936,294**	42,125
Janitorial services	**1,016,400**	812,026
Legal fees and other services	**600,000**	
Printing services	**398,000**	398,000
Promotional and marketing expenses	**327,990**	11,567
Electricity	**112,444**	113,650
Administration expense	**99,004**	289,742
Others	**639,780**	938,739
	11,501,311	9,550,586

16. UNEARNED INCOME

This account represents guarantee fees and interest income collected in advance from various accounts under the Direct Lending and Guarantee Programs, installment sales, capitalized interest on restructured accounts as well the interest, penalties and other charges on which proceeds from the foreclosure/dacion of assets were applied. Details of the account follow:

	2016	2015 (As restated)
Current		
Guarantee fees	**22,604,554**	36,156,740
Receivable from compromise agreements	**5,830,125**	5,830,125
Interest income – lending	**125,000**	124,880
Deferred interest, penalties and other charges on which acquired assets on default accounts were applied	**87,509**	87,509
	28,647,188	42,199,254
Non-current		
Receivable from compromise agreements	**-**	4,800,000
Deferred interest, penalties and other charges on which acquired assets on default accounts were applied	**3,016,263**	3,016,263
	3,016,263	7,816,263
	31,663,451	50,015,517

17. OTHER PAYABLES

This account consists of the following:

	2016	2015 (As restated)
Client's deposit	**47,492,900**	8,876,524
Trust liabilities – BTr	**17,919,956**	16,848,994
Miscellaneous deposits	**4,110,232**	3,957,732
Trust liabilities	**1,216,946**	1,216,945
Reinsurance premium payable	**46,360**	46,360
Other current liabilities	**10,288,349**	11,805,342
	81,074,743	42,751,897

Client's deposit covers excess guarantee fees, advance collection of credit insurance premiums, deposits on the sale of acquired assets and interest and penalties collected from clients under the various program offerings of the Corporation which shall be applied to future fees due.

Trust liabilities represents TIDCORP and insurer's 40 per cent share in premium reserve fund based on gross insurance premium set aside to cover future claims.

Trust Liabilities – BTr represents an FCDU time deposit account with the LBP held in trust under the name of TIDCORP for the account of the BTr, which has an outstanding principal balance of US$359,745 as at December 31, 2016 converted at the rate of US$1.00 is to P49.813 and US$357,228 as at December 31, 2015 converted at the rate of US$1.00 is to P47.166 (See Note 4).

Reinsurance premium payable represents the share of COFACE in the gross insurance premium by virtue of the Reinsurance Agreement.

Miscellaneous deposit includes bidders' and performance bonds collected from suppliers and contractors as well as down payment from buyers on the sale of acquired assets.

Other current liabilities consist of the following:

	2016	2015 (As restated)
Bureau of Internal Revenue	**3,644,538**	3,759,337
Accounts payable – trade	**2,424,045**	3,374,034
Provident fund - contributions & loans payable	**1,289,414**	1,195,263
Withholding tax - employees	**1,221,878**	1,991,117
Government Service Insurance System	**1,187,495**	1,031,917
Accounts payable - non-trade	**327,783**	289,958
Home Development Mutual Fund (Pag-IBIG)	**120,346**	99,028
Philippine Health Insurance Corp.	**72,850**	64,688
	10,288,349	11,805,342

18. EQUITY

18.1. Capital stock

On January 11, 1985, PD No. 1962, further amending Section 7 of PD No. 550, as amended by PD No. 1080, was issued increasing the authorized capital stock of the Corporation from P2.000 billion to P10.000 billion which is fully subscribed by the Government of the Philippines.

As at December 31, 2016 and 2015, the paid-in capital amounts to P5.462 billion, of which, P570.000 million was received on November 4, 2011 from the FY 2011 Disbursement Acceleration Program of the National Government under Notice of Cash Allocation No. NCA-BMB-F-11-0019720 and Special Allotment Release Order No. F-11-01563 dated October 24, 2011 for the Guarantee and Lending Programs of the Corporation.

18.2. Deficit

This account represents the accumulated losses from prior years' operations and the result of the transfer of non-performing assets and related liabilities to the National Government pursuant to AO No. 64 dated March 24, 1988 and Deed of Transfer dated March 8, 1989.

18.3. Comprehensive income

Fair value adjustment – AFS represents the net effect of unrealized gains (losses) on AFS investment portfolio of the Corporation. Accordingly, the adjusted fair value of the AFS is presented as a separate item under equity.

19. GUARANTEES OUTSTANDING

This is an off-book contingent account representing guarantees outstanding in favor of the foreign and/or domestic banks/financial institutions for loans they extended to clients/borrowers. The details of the outstanding guarantees as of year-end follows:

	2016	2015
General facility	**9,045,514,431**	7,123,119,075

For short-term guarantee cover, guarantees are recorded upon issuance of the guarantee, while for long-term guarantee cover, the contingent liability is equal to the drawdowns/availments from the guarantee facility recorded within the accounting period.

As of December 31, 2016 and 2015, the guaranteed principal obligations under the contingent liability account is inclusive of the P191.700 million and P197.084 million interest, respectively covered by TIDCORP's guarantee corresponding to the guaranteed principal obligations of one account in 2016 and two accounts in 2015, as provided in the Guarantee Agreement with the lenders and borrowers.

On September 16, 2015, a guaranteed account in the amount of P2.892 billion, of which P0.192 billion represents interest, filed a Petition for Voluntary Rehabilitation with the Ormoc City Regional Trial Court. On September 22, 2015, the Presiding Judge issued a Commencement Order declaring the account to be under rehabilitation pursuant to RA No. 10142 otherwise known as the Financial Rehabilitation and Insolvency Act of 2010.

This account was classified as Substandard-Secured (SS) requiring an allowance for bad debts of fifty-six percent of the outstanding guarantees or a total of P1.612 billion recorded on a staggered basis over a period of ten years commencing in 2016. As of December 31, 2016 and 2015, the recorded allowance for bad debts amounted to P372.235 million and P115.668 million, respectively.

20. REVENUE

This account consists of the following:

	2016	2015 (As restated)
Operating income		
Guarantee, commitment and processing fees	**105,944,784**	208,694,080
Interest on investments and deposits	**31,693,904**	35,168,347
Interest and penalties	**15,420,212**	30,570,142
Gain (loss) on sale of investment	**256,934**	6,461,518
Insurance premium and commission	**135,807**	84,114
Gain (loss) on sale of acquired assets	**(582,400)**	(1,221,025)
Miscellaneous income	**18,274,719**	12,560,194
	171,143,960	292,317,370
Other income		
Gain (loss) on sale of building	**-**	-
Foreign exchange gains (losses)	**72,831**	784,152
	72,831	784,152
	171,216,791	293,101,522

Interest and penalties represents interest earned on current loans receivable and penalty charges collected on restructured loans, receivables from subrogated claims and other receivables.

Gain (loss) on sale of investment represents the trading gains on the sale of AFS investment portfolio of the Corporation.

Foreign exchange gains (losses) represents the foreign exchange differential arising from the settlement or translation of foreign-currency denominated items. Foreign exchange gains/losses resulting from translation/revaluation of foreign currency monetary items is determined at each statement of financial position date using the PDSWAR as of last working day of the month/closing date. For the periods ended December 31, 2016 and 2015, the closing rates used were P49.813 per US$1 and P47.166 per US$1, representing the PDSWAR as of last working day of the period.

Miscellaneous income represents processing fees from the guarantee and lending programs, pre-termination fees from a guaranteed account, interest and penalty charges collected from restructured loans and other receivables classified as default accounts as well as lease income from investment property.

21. PERSONAL SERVICES

This account consists of the following:

	2016	2015 (As restated)
Salaries and wages	**43,550,132**	47,057,728
Bonus and incentives	**12,308,384**	18,044,123
Other benefits	**14,682,385**	15,658,587
Provident fund contribution	**10,887,535**	11,764,432
GSIS contribution	**5,327,390**	5,619,311
Hospitalization	**2,128,339**	1,971,579
Terminal pay	**1,857,408**	2,788,515
PhilHealth contribution	**385,806**	407,981
Pag-IBIG fund contribution	**101,699**	109,554
Overtime pay	**47,426**	60,054
	91,276,504	103,481,864

22. INTEREST AND FINANCIAL CHARGES

This pertains to paid and accrued interests on loans payable of TIDCORP to creditor-banks as well as guarantee fees due to the National Government relative to ROP guarantee on the Corporation's borrowings of P855.000 million and P900.000 million in 2016 and 2015, respectively with the LBP.

23. FINAL TAX

This account represents the final tax on interest income from investments and deposits at the rate of 20 percent on peso-denominated placements and at 7.5 percent on foreign currency deposits. Details follow:

	2016	2015 (As restated)
Interest on investments and deposits	**31,693,905**	35,168,347
Final tax	**(6,338,624)**	(7,019,645)
	25,355,281	28,148,702

24. RECLASSIFICATION

Several accounts in the 2015 financial statements were reclassified to conform to the 2016 presentation.

	Account Reclassified	Debit	Credit
61203	Interest income - wholesale lending	-	328,025
61204	Miscellaneous income – application/processing/ service fee/amendment fee-DL	180,833	-
61802	Miscellaneous income – penalty (wholesale lending)	-	25,661
61904	Miscellaneous income – others (remedial)	-	695
62100	Foreign exchange gains (losses)	25,437	-
75101	Office supplies expense	-	195,758
76603	Travel expense – foreign	-	3,738
76801	Water	-	9,001
77300	Telephone expenses – land line	-	1,153
77500	Internet expenses	-	645
77802	Promotional and marketing expenses	-	26,157
77907	Current tax expense	-	190,766
78601	Rent/lease expense	-	4,074
78701	Credit investigation – marketing	-	8,205
84305	Audit fees and services – rent/lease expense	-	1,326
84318	Audit fees and services – janitorial expense	-	34,444
84500	General/janitorial services	-	204,974
84600	Security services	-	502
85000	Dues and subscription	-	5,816
93100	Amortization – intangible assets	19,253	-
98920	Miscellaneous expense	-	17,328
11101	Accounts receivable – client (short-term)	35,909	-
19201	Investment in T-bonds (AFS)	-	9,572,244
19203	Investment in retail T-bonds (AFS)	-	7,700,305
40901	Accrued expenses – MOOE	509,383	-
40902	Accrued salaries and allowance	-	45,828
11701	Interest receivable – loans	-	180,833
40101	Pari-passu payable – banks	695	-
45100	Clients deposit	353,686	-
23102	Intangible assets – software	-	19,253
13501	Accounts receivable – O and E (short-term)	3,738	-
30102	Allowance for doubtful accounts – loans receivable (long-term)	11,147,697	-
42901	Accounts payable – suppliers and contractors		2,811
24101	Deferred tax asset	17,463,315	-
48100	Retained earnings	-	11,160,404
		29,739,946	**29,739,946**

25. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented below is the supplementary information which is required by the BIR under its existing Revenue Regulations (RRs) to be disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

25.1. Requirements under RR No. 15-2010

On December 28, 2010, RR No. 15-2010 became effective and amended certain provisions of RR No. 21-2002 prescribing the manner of compliance with any documentary and/or procedural requirements in connection with the preparation and submission of financial statements and income tax returns. Section 2 of RR No. 21-2002 was further amended to include in the notes to financial statements information on taxes, duties and license fees paid or accrued during the year.

(a) *Income, business, final investment income and fringe benefits taxes*

For the year 2016, the Corporation paid/accrued a total amount of P15.042 million for income taxes, business tax (gross receipts tax) and fringe benefit tax as follows:

	2016 (In millions)	2015 (In millions)
Income tax	**-**	3.396
Gross receipts tax	**7.995**	11.754
Final investment income tax	**6.339**	7.020
Fringe benefit tax	**0.708**	0.929
	15.042	23.099

(b) *Documentary stamp taxes*

Documentary stamp taxes remitted/paid in 2016 and 2015 pertaining to loan instruments executed with clients and with banks for corporate borrowings amounted to P 0.298 and P6.731 million, respectively.

(c) *Withholding taxes*

The details of total withholding taxes for the year 2016 and 2015 are shown below:

	2016 (In millions)	2015 (In millions)
Compensation and benefits	**10.838**	15.039
Expanded withholding taxes	**1.453**	1.773
Government money payments	**3.329**	3.605
Final withholding taxes	**-**	.129
	15.620	20.546

(d) *Taxes and licenses*

The details of the taxes and licenses account are broken down as follows:

	2016 (In millions)	2015 (In millions)
Gross receipts tax	**1.604**	2.100
Fringe benefit tax	**0.740**	0.568
Documentary stamp tax	**-**	-
Real estate taxes	**0.009**	0.009
Municipal license and permits	**0.011**	0.011
Miscellaneous	**0.035**	0.043
	2.399	2.731

(e) *Deficiency tax assessments and tax cases*

Notice for deficiency in income tax, expanded withholding tax, withholding tax on compensation and final withholding of value added tax for taxable year 2011 totaling to P112.370 million was received in 2015. This assessment was disputed and a protest was filed with a request for reinvestigation on February 11, 2015, pursuant to RR No. 12-99 on "Implementing the Provisions of the National Internal Revenue Code of 1997 Governing the Rules on Assessment of National Internal Revenue Taxes, Civil Penalties and Interest."

On June 29, 2015, the protest was forwarded to Revenue District Office (RDO) No. 50 and the Corporation was requested to submit necessary documents. Accordingly, on July 10, 2015 TIDCORP forwarded the related documents to RDO No. 50. The Corporation is awaiting the decision of the RDO.

25.1. Requirements under RR 19-2011

RR No. 19-2011 requires schedules of taxable revenues and other non-operating income, costs of sales and services, itemized deductions and other significant tax information, to be disclosed in the notes to financial statements.

The amounts of taxable revenues and income, and deductible costs and expenses presented below are based on relevant tax regulations issued by the BIR, hence, may not be the same as the amounts of revenues reflected in the 2016 and 2015 statements of profit or loss.

(a) *Taxable revenues*

The composition of the Corporation's taxable revenues for the years ended 2016 and 2015 are presented below.

For the year ended December 31, 2016:

	Exempt	Final Tax Rate	Regular Tax Rate
Rendering of services	-	31,693,905	126,223,456
Sale of goods	-	-	-
	-	**31,693,905**	**126,223,456**

For the year ended December 31, 2015:

	Exempt	Final Tax Rate	Regular Tax Rate
Rendering of services	-	35,168,347	171,336,766
Sale of goods	-	-	-
	-	**35,168,347**	**171,336,766**

(b) *Deductible cost of services*

Deductible costs of services for the years ended 2016 and 2015 comprise the following:

For the year ended December 31, 2016:

	Exempt	Regular Tax Rate
Direct charges – interest and financial expenses	-	37,315,596
Direct charges – salaries, wages and benefits	-	67,178,005
Direct charges – depreciation	-	7,486,677
Direct charges – material, supplies and facilities	-	4,772,336
Direct charges – rental	-	1,039,049
Direct charges – outside services	-	80,800
Direct charges – others	-	10,543,472
	-	**128,415,935**

For the year ended December 31, 2015:

	Exempt	Regular Tax Rate
Direct charges – interest and financial expenses	-	57,444,165
Direct charges – salaries, wages and benefits	-	91,967,323
Direct charges – depreciation	-	11,050,597
Direct charges – others	-	9,558,412
Direct charges – material, supplies and facilities	-	5,089,894
Direct charges – rental	-	995,514
Direct charges – outside services	-	44,233
	-	**176,150,138**

(c) *Taxable operating and other income*

The details of non-operating and other income which is subject to regular tax rate are shown below:

	2016 Regular Tax Rate	2015 Regular Tax Rate
	256,934	6,461,518
Gain on sale of investment		
Actual foreign exchange gain	**19,862**	784,151
	276,796	7,245,669

(d) *Itemized deductions*

The amounts of itemized deductions for the year ended December 31, 2016, are as follows:

	2016 Exempt	2016 Regular Tax Rate	2015 Exempt	2015 Regular Tax Rate
Salaries and allowances	**-**	**23,881,767**	-	19,570,095
Taxes and licenses	**-**	**2,398,872**	-	2,730,750
Professional fees	**-**	**-**	-	3,755,847
Communication, light and water	**-**	**4,781,709**	-	4,951,998
Insurance	**-**	**2,080,426**	-	1,798,426
Miscellaneous	**-**	**19,833,637**	-	19,518,908
	-	**52,976,411**	-	52,326,024

26. EVENTS AFTER THE REPORTING PERIOD

On January 27, 2017, the BOD approved Management's recommendation to seek exemption from the DOF from the declaration and remittance of dividends to the National Government for CY 2016, estimated at P31.062 million based on the provisions of RA No. 7656 and its Revised Implementing Rules and Regulations, and the deferment of dividend remittance pending the final action/decision of the DOF on the TIDCORP's request for exemption.

27. RISK MANAGEMENT

Risk is inherent in the TIDCORP's activities but it is managed through a process of on-going identification, assessment/measurement, control and monitoring subject to the risk limits and management action trigger mechanism. The Corporation recognizes the importance of risk management to ensure its long term viability. Management shall see to it that the risk management functions are implemented in all business units of the organization. This process of risk management is critical to the entity's continuing overall viability and each individual within the Corporation is accountable for the risk exposures relating to his or her responsibilities.

The Corporation is exposed to credit risk, liquidity risk, market risk, operational risk and regulatory risk. The Corporation's overall risk management program focuses on these risk areas and should regularly formulate risk management strategies and policies to mitigate/minimize potential adverse effects on its financial and operational performances.

In line with the thrust of Management to improve the overall viability of the Corporation, the BOD approved the creation of the Finance and Business Development Committee (FBDC) which is mandated to assist the BOD perform efficiently and effectively its oversight role with respect to TIDCORP's financial management and business development consistent with its mandate under its Charter and relevant government policies.

The Committee's major tasks are to review the Corporation's business plans and business strategies and its annual budget; evaluate financial condition and operating performance, provide guidance to Management, particularly to the Business Revenue Group, through the Board, in formulating specific marketing and business development activities consistent with its approved business plan.

The body is also mandated to provide necessary guidance to the Management, through the BOD, in formulating strategies and/or specific action plans to (a) improve/strengthen TIDCORP's capital structure and overall financial condition, specifically on its borrowing, investing and related financing activities; (b)recover exposures/liquefy acquired assets and/or properly dispose non-performing assets of the Corporation; and (c) regularly check the status and availability of program funds to ensure adequate and appropriate allocation of resources to back up the funding requirements of credit and guarantee proposals in the pipeline and recommend to the BOD alternative sources of funds to support the operations and programs of TIDCORP.

27.1. Risk management structure

(a) *Board level*

(i) Board of Directors. The BOD is responsible for the overall risk management approach and for approving the risk principles and strategies.

(ii) Risk Oversight Committee (ROC). This Committee shall be responsible for the following:

- Performing oversight risk management functions specifically in the areas of managing credit, market, liquidity, operational, legal, reputational and other risks of the Corporation, and crisis management, which shall include receiving from Senior Management periodic information on risk exposures and risk management activities;
- Developing the Risk Management policy of the Corporation, ensuring compliance with the same and ensure that the risk management process and compliance are embedded throughout the operations of TIDCORP, especially at the Board and Management levels; and
- Providing quarterly reporting and updating the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals.

(iii) Credit Committee (CreCom). This Committee shall be responsible for the following:

- Ensure that the credit policies set by the Board are implemented;
- Review, assess, and recommend changes or amendments to the adequacy of TIDCORP's existing credit policies and its overall credit administration/ implementation, such as but not limited to the general compliance with existing guidelines and procedures;
- Review the quality of TIDCORP's guarantees and direct lending portfolios assuring adherence to policies and guidelines and monitoring progress toward achieving corporate objectives without prejudice to the review to be conducted by an independent body/regulator;
- Review and approve or deny all applications for direct lending and/or guarantee involving amounts that fall within the amount limitations set by the Board for the Committee;
- Review and recommend/endorse to the Board all applications for direct lending and guarantee involving amounts that exceeds the amount limitations set by the Board for the Committee;
- Advise on any matter of significance relating to credit including recommendations to the Board of changes in guarantee and direct lending policies or directions;
- Review and assess this Charter periodically and recommend any proposed changes to the Board for approval and shall conduct annual assessment of its own performance; and
- Perform such other functions that the Board may delegate from time to time or as may be required by law.

(iv) Audit Committee. This committee shall be responsible for the following:

- Overseeing, monitoring and evaluating the adequacy and effectiveness of TIDCORP's internal control system, engage and provide oversight of the Corporation's internal and external auditors, and coordinate with the Commission on Audit (COA);
- Reviewing and approving audit scope and frequency, the annual internal audit plan, quarterly, semi-annual and annual financial statements before submission to the Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal, regulatory and COA requirements;
- Receiving and reviewing reports of internal and external auditors and regulatory agencies, and ensuring that Management is taking appropriate corrective actions, in a timely manner in addressing control and compliance functions with regulatory agencies;
- Ensuring that internal auditors have free and full access to all the Corporation's records, properties and personnel relevant to and required by its function and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results; and
- Developing a transparent financial management system that will ensure the integrity of internal control activities throughout the organization through a procedures and policies handbook that will be used by the entire organization.

(b) *Management level*

(i) Asset-Liability Committee (ALCO). This Committee shall be responsible for the assessment and review of the Corporation's liquidity position. This includes funding requirements for on- and off-statement of financial position commitments, through the following:

- Know the market trends and developments;
- Monitor the liquidity needs and funding sources of TIDCORP;
- Establish guidelines for the funding mix of TIDCORP;
- Establish limits for financial risk-taking and confirmation of lending rates to existing clients;
- Monitor plans and status for capital build-up; and
- Follow-up developments and cash flows from collection of past due obligations and Asset Disposal Program.

(ii) Risk Management Office (RMO). The role of the RMO is to assist and support management in attaining and maintaining a high quality risk asset process as well as healthy and sound portfolio quality that would result to the attainment of the Corporation's objectives as to profitability, service efficiency and product delivery.

(iii) Office of the Chief Risk Officer. The Chief Risk Officer shall be responsible for the following:

- Integrate risk management into the business activities of the Corporation;
- Ensure that the Corporation manages adequately credit, market, liquidity, legal, operational and other risks:
  a. Review compliance with existing risk asset management policies, regulations, plans and procedures, and
  b. Provide feedback to Management and/or marketing units on potential losses or gains in risk asset management operations based on periodic financial analysis to gauge the credit health of the Corporation and identify sound credit alternatives.
- Advise the BOD in areas of risk exposures and risk management activities of the Corporation.

(iv) Internal Audit Office (IAO). Risk management processes throughout the Corporation are audited by the IAO that examines both the adequacy of the procedures and compliance with procedures. IAO discusses the results of the assessments with management and reports its findings and recommendations to the Audit Committee and the BOD. The IAO shall be responsible for the following:

- Examine and evaluate the adequacy and effectiveness of the internal control systems at various operations and activities of the Corporation;
- Review compliance with legal and regulatory requirements and approved Corporation's policies and procedures;
- Examine the quality of credit portfolio and periodically updates Management on the status thereof;
- Appraise performance and economical and efficient use of corporate resources;
- Recommend measures to safeguard the assets of the Corporation;
- Review the accuracy and reliability of the Corporation's accounting records and financial reports, including that of other entities where the Corporation has financial interest or where it may have review and monitoring authority through contractual agreements or covenants; and
- Suggest/recommend to Management measures to address the inherent flaws/ defects in the systems and operations of the different organizational units of the Corporation.

27.2. Risk mitigation

(a) *Credit risk*

Credit risk is the risk that a guaranteed obligor or direct lending client of the TIDCORP will fail to meet its obligations in accordance with the agreed terms. The goal of credit risk management is to create shareholder value by ensuring the credit risk exposures generate returns in excess of the cost of the underlying capital while at the same time supporting government economic development priorities and thrusts in sectors covered by its mandate.

Credit risk arises from the Corporation's guarantees and direct lending business, comprising of off-statement of financial position commitments and on-statement of financial position portfolio.

Credit risk is addressed at the operational level by specific processes and procedures as contained in TIDCORP's Risk Asset Management Manual (RAMM) and through the Credit Policy Memoranda (CPMs) issued from time to time. The Corporation's credit assessment process includes the determination of a credit risk rating or score for the borrower. For this purpose, it implements its own Internal Credit Risk Rating System (ICRRS). The Corporation manages and controls credit risk by setting limits on the amount of risk it is willing to accept. Counterparty limits are established by the use of a credit classification system which assigns each counterparty a risk rating. The credit quality review process allows the Corporation to assess the potential loss as a result of the risks it is exposed to and take immediate corrective actions on the same.

(b) *Liquidity risk*

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To mitigate risk, management has arranged diversified funding sources in addition to its core revenue base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding, if required.

To address this risk, Management incorporated in its Business Plan the Contingency Funding Plan (CFP) which was approved by the Board in February 2008, with the following objectives:

- To define the level of crisis that the BOD intends for the Corporation to survive without external assistance and that the same crisis level does not escalate to a point that it cannot survive.
- To articulate in advance what to do, when, how and by whom to manage a crisis or liquidity situation to avert any escalation of the same with the minimum of financial impact.

The concept is to manage a crisis fast enough but to mitigate also the risks of escalation and prevent the exacerbation of the crisis by slow and wrong decision. The CPF covers the following areas: (a) Survivable Liquidity Stress Level; (b) Activation and Crisis Management Process; (c) Senior Management Crisis Committee; (d) Contingency Funding Strategy; (e) Communications; (f) Management Information System Requirements; and (g) Other Specific Crisis Management Preparation Requirements.

As a result of the shift by the Corporation from Held-to-maturity (HTM) to AFS securities, TIDCORP maintains a portfolio of highly marketable securities that can be easily liquidated in the event of unforeseen interruption of cash flow. Likewise, due to the dynamic nature of the underlying businesses, the Fund Management Department of the Corporation maintains flexibility in funding by keeping committed credit lines available.

(c) *Market risk*

Market risk is essentially the risk of loss on the Corporation's statement of financial position and asset/liability structure due to price or interest rate changes; that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange and equity prices.

In general, market risk is identified when a product is approved for introduction into the Corporation's portfolios, as well as when the actual risk-taking transaction is consummated. In the product approval process, the aim is to perform a thorough analysis, evaluation and documentation of the market risk exposure arising from the product, if any, and to ensure such is within the strategic parameters and risk tolerance guidelines of the Corporation.

In order to address this, Management, in the weekly meeting of the ALCO, discusses the behavior of the market in terms of prevailing interest rates and mark-to-market valuation of TIDCORP's AFS government securities. In this light, the ALCO establishes guidelines for the investment mix of the Corporation. Likewise, it establishes limits for financial risk-taking and confirmation of lending rates. The projected foreign exchange level is also tackled to address risks related to its existing foreign currency-denominated assets and liabilities.

(d) *Operational risk*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events – whether deliberate, accidental or natural.

TIDCORP undertakes the identification/assessment of operational risk through (a) Products, systems and process development; (b) Business continuity planning; and (c) Audits.

Control and mitigation of operational risks are undertaken through (a) Control mitigation activities, such as segregation of duties, clear documentation of procedures, physical assets and information access control and verification and reconciliation; and (b) Continuity planning.

Operational risk is addressed through approved documentations of processes in back office/support functions. Emphasis is placed on controls to guide day-to-day processes.

27.3. Foreign currency-denominated monetary assets

The Corporation's accounting for foreign currency-denominated monetary assets is guided by PAS 21, The Effects of Changes in Foreign Exchange Rates, which was adopted effective January 1, 2005. Actual foreign currency transactions are recorded initially based on prevailing rate/spot rate as of transaction date. These accounts are translated/converted into Philippine peso using the Philippine Dealing System Weighted Average Rate (PDSWAR) closing rate as of statement of financial position date. Foreign exchange differences arising from the settlement of monetary items or on translation of monetary items are recognized in the income statement in the period in which they arise.

Worldwide Alliances & Partnership

A number of Export Credit Agencies (ECAs) were created during the course of economic development in many Asian countries consistent with their governments' export-oriented strategy. Over the years, Exim Banks/ ECAs have evolved into widely different financial institutions depending upon the business environment in the respective countries, their foreign trade profile, country risk considerations and the development of local financial markets. Its annual meetings serve as a forum for discussing a wide range of issues which focus on fostering common understanding and sharing information. It also endeavors to meet the challenges faced as an ECA in Asia and explore possible areas for further regional cooperation.

PhilEXIM is an active and regular member of the Asian EXIM Banks Forum (AEBF) which was created upon the initiative of the Export-Import Bank of India (Exim India) in 1996. The objective of the AEBF is to enhance cooperation and forge stronger links among its member institutions.

PhilEXIM is also a member of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP) where it attends its various fora and seminars. ADFIAP was founded in 1976 and is an association of development banks and other financial institutions engaged in the financing of development in the Asia-Pacific region with the mission of advancing sustainable development by strengthening the development finance function and institutions, enhancing capacity of members and advocating development finance innovations.

PhilEXIM is an awardee of ADFIAP for its development pursuits for the years 2002, 2004, 2005, 2007, 2009, 2011 and 2015.

Corporate Social Responsibility

As part of PhilEXIM's Corporate Social Responsibility (CSR) and outreach activities, regular and contractual employees traveled to Ilocos Norte on November 26 – 29, 2016, to distribute relief goods to 200 families from Barangay Manarang, Vintar, Ilocos Norte severely affected by super typhoon "Lawin". Similarly, PhilEXIM initiated the same CSR undertaking by sharing food and donating basic commodities with the residents of the Missionaries of Charity in Tayuman, Tondo, Manila. The institution was established as a special facility that is taking care of special children, those with Down's Syndrome, cerebral palsy, hydrocephalus, children with special needs feeding program was given to indigent community and homeless that are living within Tondo and surrounding areas.

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