Ensuring The Country's ECONOMIC MOMENTUM

2013 ANNUAL REPORT

PhilEXIM
PHILIPPINE EXPORT-IMPORT CREDIT AGENCY

PhilEXIM

Our Aspiration

By 2013, we will be a viable government financial institution, realizing a 15% return on equity.

We will be the best in our core competence of issuing guarantees, delivered by a dynamic organizational structure and fully-automated front and back-end systems.

We will be a preferred employer, drawing the best skills and competent personnel from the industry where we belong.

This is our vision; this is our inspiration.

Our Commitment

We are a sovereign guarantor extending credit, insurance and related services to business entities.

We are committed to contribute to national development by:

- stimulating, increasing and developing the export of goods and services; and
- promoting and facilitating investment in strategic sectors of the economy.

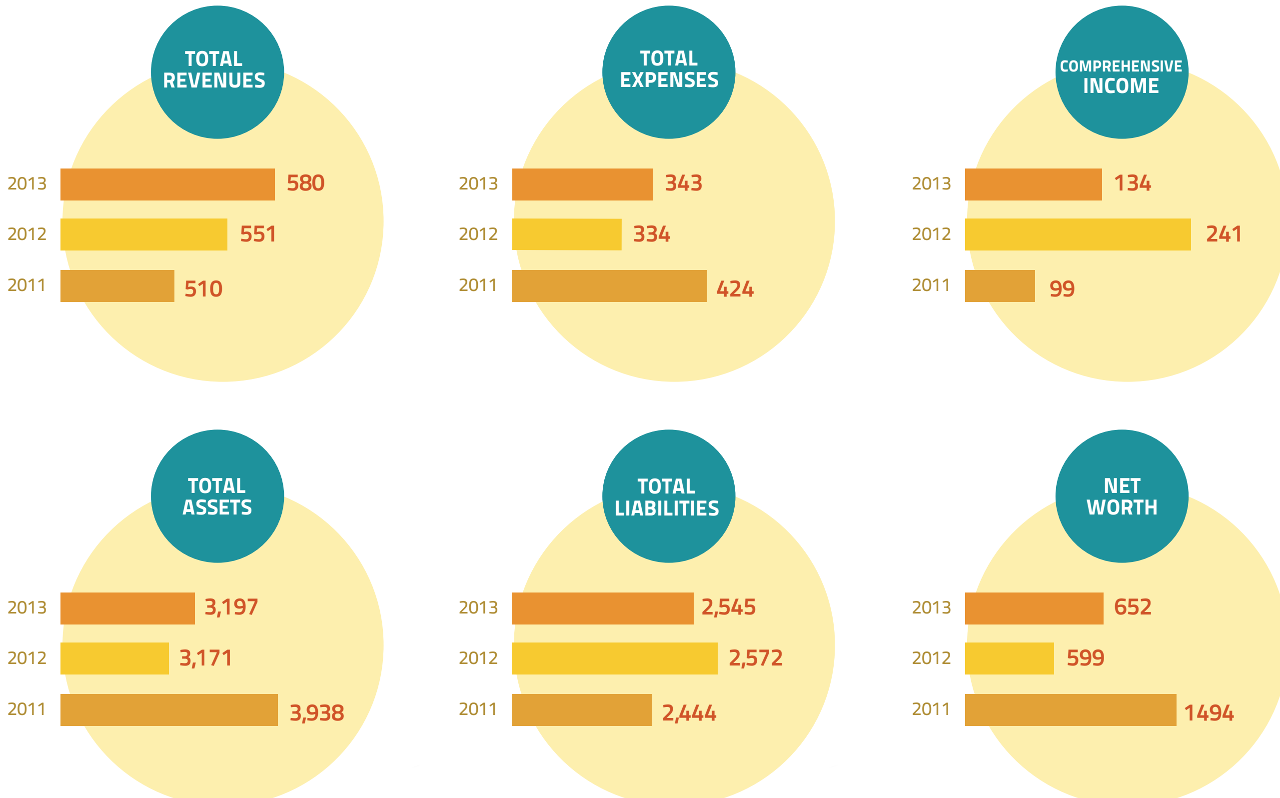
We are proud to be PhilEXIM

OUR COVER

The theme for the 2013 Annual Report is “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.

The cover shows the different industries as they contribute to the national economy. Images representing agriculture, manufacturing, energy and trade converge into an image of the central business district, symbolizing heart of the country’s strong economy.

Three-Year
Financial Highlights
in Millions (2011-2013)



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Message of
His Excellency

We have arrived at an exciting time in our history: The past five years have yielded an unprecedented revitalization that has made the Philippines one of the best performing economies in Asia; evidence that our determination to walk the straight path has begun to reap rewards.

Our resurgence highlights, more than ever, the importance of prioritizing equitability in all sectors of society, particularly with Small and Medium Enterprises (SMEs), for they are vital engines for economic growth in the grassroots.

My administration counts the **Philippine Export-Import Credit Agency** as an integral partner in our nation's growth: Your financial assistance remains crucial to the strengthening of our local industries; your push to propel the expansion of SMEs helps drive considerable investments in healthcare, education, social services, and infrastructure development in the countryside; areas which likewise empower the broader sectors of agriculture and tourism, and consequently accelerate our agenda of social inclusiveness.

As we continue to instill a culture of unity and integrity within our institutions, I urge you to strengthen your resolve in serving your clients, that together, we may build a brighter, more vibrant Philippines, one that we can proudly bequeath to future generations.

H.E. BENIGNO S. AQUINO III
President
Republic of the Philippines

For the year 2013, PhilEXIM was still able to meet its goals despite the challenges caused by Typhoon Haiyan. These circumstances have highlighted PhilEXIM's role as a resilient catalyst to stimulate economic activities in priority areas of development.

PhilEXIM's fundamentals remained strong with P14 billion worth of outstanding guarantees by the end of 2013, which generated more than 20,000 jobs and a net profit of P145.4 million — 4% over the corporate operating budget.

PhilEXIM has also continuously supported crucial economic sectors of our society, with the industrial sector and the export industry making up a substantial majority of the Agency's portfolio. This trend is an encouraging sign as we move forward to becoming one of the major players in a growing international business community in the ASEAN region.

In 2013, PhilEXIM also refocused on the financial inclusion of SMEs by recognizing their need for credit, capacity and credibility. This effort translated into the Portfolio Guarantee Program, which developed an initial P30 billion portfolio of SMEs.

By 2015, SME financing will have grown from 2% to 24% of the entire portfolio of PhilEXIM that could be alluded to the SME-intensified programs, especially for guarantees. With this, I challenge the Agency to continue its aggressive posture in ensuring far-reaching financial inclusivity throughout the country.

It is with this philosophy of doing business with a conscience that I hope PhilEXIM will continue to harmonize with the private sector to bring about inclusive socio-economic development in our country.

CESAR V. PURISIMA
Chairman of the Board
Secretary of Finance

Message of The **Chairman of the Board**

I am pleased to report the positive financial results of operations of PhilEXIM as of 31 December 2013. The following is an executive summary of the significant achievements of the year just ended.

Report of The
President & CEO

Profitability

Net profit leveled at P152.55 million, 9.41% over the COB which was pegged at P139 million. This year's net profit though was P57 million less than the previous period's bottom line but only because of the sharp 319% increase in income tax paid for the current year – P85 million – as opposed to only P20 million of Investment Income Tax in 2012. The hike in taxes in the current year followed the expiry of the Agency's NOLCO tax credit position in 2012. In any case, if the tax variable is isolated as an uncontrollable factor and NIBIT is used instead as a more credible measure of performance, then the current year's P237.61 million net which is 4% on top of the COB and 3% astride of the year-ago tab, underscores this year's success story.

The satisfactory ending result was principally driven by robust business activities as total revenues of P580.22 million and operating efficiency, where a total of P36 million in savings on expenses undercut the budget by 9.5%, on the other. As a consequence the Agency's cost-to-income ratio settled at a healthy 40% before interest and financial charges, better than the accepted norm of 50%.

Revenue Generation

Guarantee fees, which is the company's core revenue source, topped the list of earnings. At an average rate of 1.65% p.a., this off-balance sheet income was derived from P14 billion of guarantees issued and outstanding. Meanwhile, Net Revenue from Funds (NRFF) contributed P113 million in net interest earnings from gross interest of P210 million - largely from active loans and investments. The net interest margin sans the NPAs is 2.86% but swings back to (-1.15%) in the overall with the load of the defaulted accounts. Nonetheless, comparing the NRFF with the total performing on-balance sheet assets of P2.8 billion gives a ROA of 5% p.a. On the other hand, the marketable securities' position of P1.58 billion and the coupon interest of P75 million earned from it become even more significant in the light of P78 million of trading gains drawn from the active churning of the bonds held in inventory. If this non-recurring income were to be added to the NRFF so as to measure the consolidated yield, the ROA will be remarkably higher at 6.7%. Other Income, excluding trading gains, contributed P61 million more in revenue. The concluded sale of the vacant 4th floor office property of the company which netted an additional P47 million of extraordinary income helped diversify the revenue contribution of almost all operating units.

Total income generated for the year settle at P580.22 million. This is 5% more than the P550.63 million accumulated for the comparable period last year.

Expenses

Total expenses for the year settled at P342.61 million, 9.5% below budget of P378.55 million but P22.08 million more than the previous year's total. The upswing is attributable to MOOE which was up P24 million principally as a result of higher provision for doubtful accounts.

However, the reverse is true for Personal Services (PS) which contracted by P2.58 million. This is the result of the deliberate action of de-recognizing accruals made in 2013 which were meant for scheduled salary adjustments, rewards and step increments for deserving officers and staff. This move was in pursuance to the denials made by the Governance Commission for GOCCs (GCG), on the Agency's repeated requests for authority to grant across-the-board salary step increments. In the short term, the cut in PS expenses had a positive effect on the year's net income but its longer term impact on employee morale and productivity is yet to be quantified and determined. As a perspective, the acutely high attrition rate of 10% in 2012 which rose to 13% in 2013 principally due to job migration can be partly attributed to the inability of the company to adjust its compensation pattern for the last 6 years now and which likely feeds the anxiety already brewing internally.

In any case, the impact of an additional P2.58 million in PS expense on net profit could have been easily absorbed by the volume of revenues generated for the year which considerably surpassed previous year's level anyway.

Also, net income before income tax (NIBIT) would have been much larger save for the additional provisions for doubtful accounts that were booked at P37.44 million, P22 million more than projected. The take-up is in preparation for the plan to strengthen the balance sheet for the anticipated restructuring of accounts – and possibly new credits which may require easier loan terms – for clients and business establishments in the declared calamity-affected areas.

Major Overhangs

1) The most significant issue that confronts the company is its limited capital. The headroom provided by the current tangible capital – P651.85 million – is too low to absorb business and puts the remaining equity into severe pressure and risk. This is also the recurring observation of BSP and COA. Any plan therefore to strengthen the financials of the company and utilize its leveraging power in pursuit of its mandate cannot successfully proceed without additional equity infusion.

2) The other equally pressing issue is the quality of the company's financial assets which is debauched by a single non-performing account, World Granary Inc. (WGI). This NPA is almost 68% of the firm's on-balance sheet assets and pulls down the interest margin with a heavy negative carry of (-1.15%). Although it is fully provided for, the funding load provided by bank borrowings weakens the ability to optimize interest earnings on free and internally-generated cash. The negative funding gap created by WGI on the balance sheet of the Agency is a concern that will require both a remedial and financial corporate undertaking.

   In the end, this financial burden must be disposed of to narrow the negative gap in the balance sheet, wipe-out the interest carry and re-deploy any collection that can be derived from the asset sale. A hopeful infusion of additional equity will also help narrow the negative gap, or wipe it out completely. The strategy for the disposition of WGI should aggressively consider the outright sale of PhilEXIM's financial interest on an "as-is" basis without waiting for the resolution of the pending case in court. To lessen the impact of a discounted valuation common in this manner of asset sale, the Agency can take a temporary and partial debt-for-equity position with a put option that can be both a recovery mechanism for any upside potential and an exit window as well.

Conclusion

Overall, the Agency has performed creditably in 2013 despite the deep challenges in the year just passed. The natural calamities that struck the country throughout the period, especially towards the end exacerbated the volatility of the local financial markets which experienced its peaks and troughs through most of the 2nd semester. The jitters were mostly caused by the convergence of concerns over policy directions on QE tapering in the USA, the threat of a credit crunch in China and the continued financial challenges in Europe, among others. But riding on the strong economic fundamentals of the country, PhilEXIM has time and again shown its resiliency and ability to sustain its viable operations.

The Agency looks forward to its continuing role of stimulating economic activities in the priority areas of development. 2014 also provides an added dimension to the company's thrusts as it prepares to participate in the rehabilitation of calamity areas by utilizing its guarantee franchise to incent wider private sector involvement in the nationwide rebuilding effort. But all this is dependent on an enhanced absorption capacity which can only be provided in the immediate term by additional equity.

FRANCISCO S. MAGSAJO, JR.
Vice Chairman, Governing Board
President and CEO

ANNUAL REPORT 2013 **RESULTS OF OPERATIONS**

The performance results of PhilEXIM in the year 2013 proved to be a significant one. Its business strategies were the result of a deliberate and thorough review of plans and programs, anchored on the strategic agenda and intent.

PROFITABILITY

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The satisfactory ending result was principally driven by robust business activities as total revenues of P580.2 million and operating efficiency, where a total of P36 million in savings on expenses undercut the budget by 9.5%, on the other. As a consequence the Agency's cost-to-income ratio settled at a healthy 40% before interest and financial charges, better than the accepted norm of 50%.

REVENUE GENERATION

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PHILEXIM
2013 RESULTS OF OPERATIONS

BY THE NUMBERS

NET PROFIT

P152 MILLION

TOTAL REVENUES

P580 MILLION

P36 MILLION

SAVINGS ON EXPENSES

P113 MILLION

NET REVENUE FROM FUNDS (NRFF) CONTRIBUTED

P47 MILLION

OTHER INCOME CONTRIBUTED MORE IN REVENUE

TOTAL EXPENSES

P343 MILLION

9% BELOW BUDGET

P15.6 BILLION

DEVELOPMENTAL IMPACT

hand, the marketable securities' position of P1.58 billion and the coupon interest of P75 million earned from it become even more significant in the light of P78 million of trading gains drawn from the active churning of the bonds held in inventory. If this non-recurring income were to be added to the NRFF so as to measure the consolidated yield, the ROA will be remarkably higher at 6.7%. Other Income, excluding trading gains, contributed P61 million more in revenue. The concluded sale of the vacant 4th floor office property of the company which netted an additional P47 million of extraordinary income helped diversify the revenue contribution of almost all operating units.

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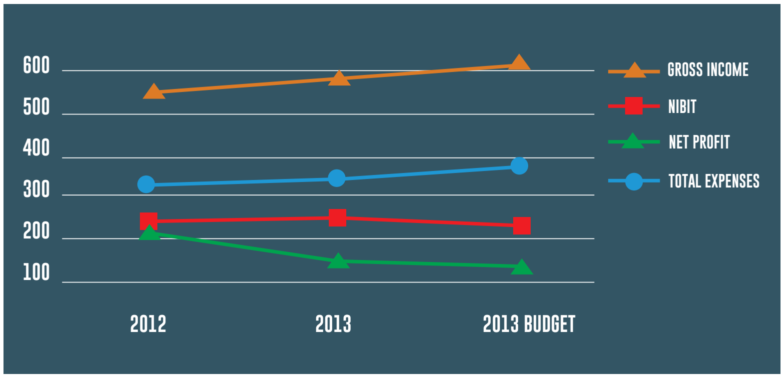
(In Million Pesos)



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PORTFOLIO CONCENTRATION

The company's total credit portfolio as of 31 December 2013 amounted to P15.6 Billion. This is allocated to different sectors as shown in the following grid.

A. By Program and Group:

(In Billion Pesos)

	Amt	%		Amt	%
Guarantees	14.3	92	Corporate	15.3	98
Direct Lending	1.3	8	SMEs	0.3	2
Total	**15.6**	**100**	**Total**	**15.6**	**100**

B. By Mandate and Regions:

(In Billion Pesos)

	Amt	%		Amt	%
Industry	5.7	37	NCR	3.5	22
Exports Priority	7.3	47	Luzon	6.4	41
Import Sub	2.6	16	Visayas	3.3	21
			Mindanao	2.4	16
Total	**15.6**	**100**	**Total**	**15.6**	**100**

Regional access to credit registered 78% of PhilEXIM's total financing portfolio, mainly for firms assisted in Luzon, Visayas and Mindanao.

QUALITATIVE MILESTONES

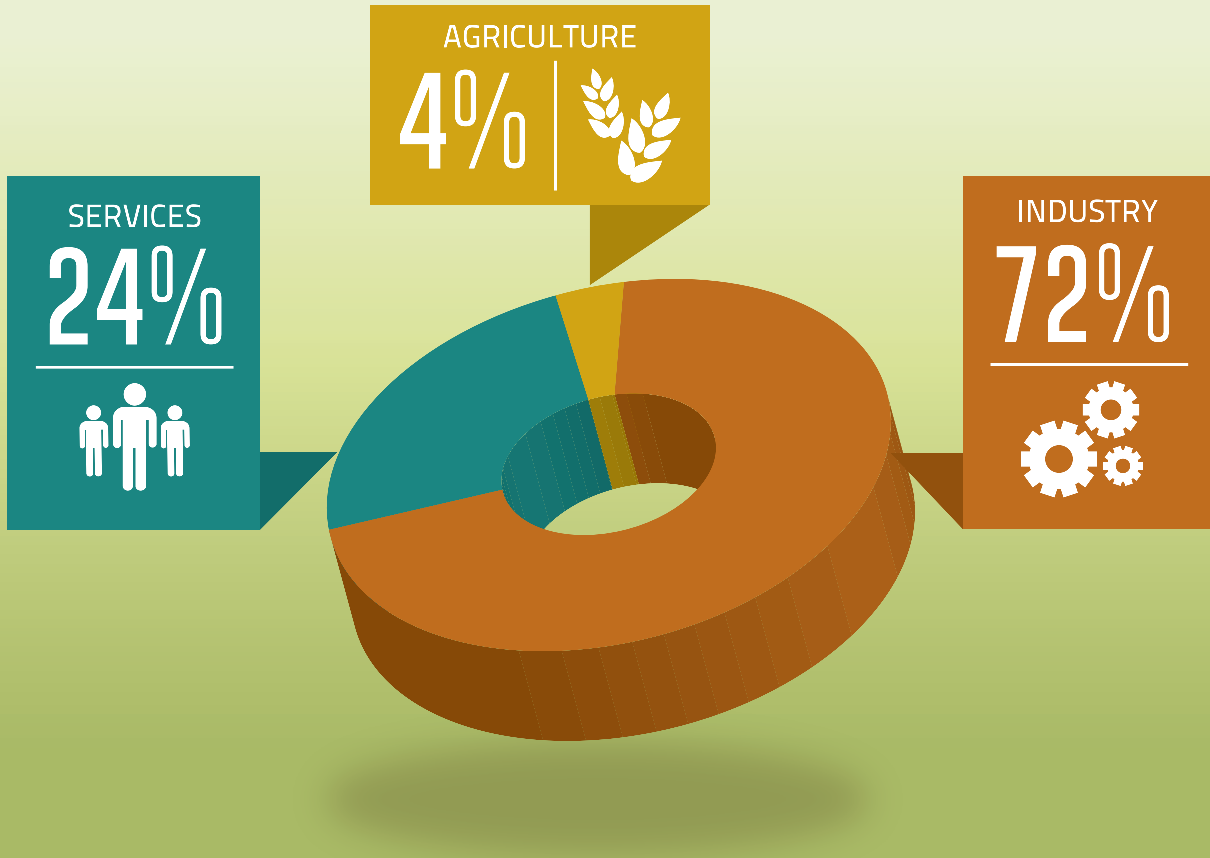
The following are significant developments in the Agency's operating activities which are included in the program of initiatives for the current year and in support of the company's mandate and the administration's social contract.

- **Business Development**
  - Re-orientation of business development activities via a wholesale and portfolio approach with a bias to industries in the supply side of the economy, e.g., manufacturing industries and job-intensive sectors in services and agriculture.
  - The launching of the Portfolio Guarantee Program that enhances economic return on capital and reduces intermediation cost of credit principally for SME and Micro portfolios of banks and other funding institutions.
  - Re-allocation of guarantee portfolio to industries with wide multiplier effects on job creation and poverty alleviation.

- **Operations/Support**
  - Revision, upgrade and implementation of the Manual of Operations (MOO) for all units to further delineate accountabilities and devolve signing authorities to empower backroom middle management in decision-making.
  - Initiated a process improvement project to reduce significantly by seven working days the credit evaluation and appraisal cycle to improve turnaround time.
  - Developed an automated credit scoring system to support the SME portfolio guarantee program.
  - Launched the development of a Document Imaging System for general administration to automate archiving and indexing of documents.
  - Installation of an upgraded biometric system for employee identification, tracking and security access to office premises. (To be linked to the HRI System project in 2014)

- **Risk Management**
  - The issuance of three new Credit Policy Manuals covering a) creation of clearing house for business development and origination activities; b) standardization of debt service and other financial ratios in credit analysis and evaluation process; c) revision of Borrower's Credit Folder to organize archiving of credit documents.
  - Revision of the Business Continuity Plan and actual simulation to upgrade disaster preparedness and capability to handle disruptive contingencies.

2013 PORTFOLIO LEVEL BY ECONOMIC SECTOR



SECTOR	AMOUNT	%SHARE
INDUSTRY	P 11,250.32	72
SERVICES	3,798.45	24
AGRICULTURE	544.19	4
TOTAL	P15,592.97	100%

- **Human Resource**
  - Implemented a re-organization that re-aligned supervision, consolidated inter-related functions and expanded work content to further drive productivity and clearly identify accountabilities.
  - Expanded the function of Corporate Strategy to include legal research, litigation and recovery and asset disposition initiatives.
  - Created the Cebu Regional Office as a stand-alone revenue center to concentrate on business development activities in Visayas and Mindanao.
  - Commenced, negotiated and completed the 1st Performance Measurement Agreement with GCG.
  - Developed, outsourced and launched a new Training Plan to systematically equip personnel with appropriate competencies and skills required in the Agency's business model. An interim Training Roadmap was accomplished as the first phase of the comprehensive Training Plan.
  - Fifty-five (55) foreign and local training conferences were organized and participated in by officers and employees. Thirteen (13) in-house briefings and orientation were conducted by senior officers in the respective expertise on various topics in credit, risk management, civil service and operations process flows.
  - A total of 13 board meetings were held along with the regular monthly/quarterly caucus of the Board Committees on credit, audit, corporate governance and risk oversight.

Overall, the Agency has performed creditably in 2013 despite the deep challenges in the year just passed. The natural calamities that struck the country throughout the period, especially towards the end exacerbated the volatility of the local financial markets which experienced its peaks and troughs through most of the 2nd semester. The jitters were mostly caused by the convergence of concerns over policy directions on QE tapering in the USA, the threat of a credit crunch in China and the continued financial challenges in Europe, among others. But riding on the strong economic fundamentals of the country, PhilEXIM has time and again shown its resiliency and ability to sustain its viable operations.

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CORPORATE GOVERNANCE and
SOCIAL RESPONSIBILITY

PhilEXIM's Board Level Committees continued to undertake its responsibilities consistent with strengthening corporate governance practices and risk management efforts within the Agency. Together with Management, these Committees actively support the overall thrust of positioning PhilEXIM as a sound and viable government corporate entity and a strong partner of development.

Audit Committee

Installs and ensures the full operationalization of a proper and adequate control system that guarantees reliability of reporting, safeguarding of assets, compliance with rules and regulations on financial and related matters as well as effectiveness and efficiency of operations.

Chairman: Benigno L. Zialcita III

Members: Director Sonia T. Valdeavilla
Director Vicente S. Aquino
Director Jay Y. Yuvallos

- Summary of Major Accomplishments:

1. Endorsement to the Board on the following:
   a. Proposed revised Audit Committee Charter
   b. Financial Statements every month for CY 2013

2. Discussion on the following
   a. Price mechanisms on interest rate gap
   b. In relation to request for capital infusion, recommendation to submit to DOF both the new Business Plan and the a scenario without capital infusion
   c. RADD to submit monthly status reports on remedial accounts

Credit Committee

Approves credit transactions of up to P100 million and pre-approves all credit transactions beyond P100 million before presentation to the Board of Directors for approval.

Chairman: President and CEO Francisco S. Magsajo, Jr.

Members: Director Soledad Emilia J. Cruz
Director Ponciano C. Manalo, Jr.
Director Emmanuel F. Esguerra
Director Jay Y. Yuvallos

- Summary of Major Accomplishments:

   a. Credit approvals on guarantee and direct lending facilities for 23 SME accounts with aggregate business volumes amounting to P195 million.

   b. Endorsed to the Board credit approvals on guarantee and direct lending facilities for 12 large accounts, with aggregate business volumes amounting to P15.4 billion.

Risk Oversight Committee

- Assists the Board in directing the affairs of the Corporation particularly the development and oversight of the Corporation's risk management plans and programs. It also assists the governing body in assessing and providing oversight to management relative to the identification and evaluation of major risks involved in the Corporation's business operations or any other areas that could create significant risks to the Corporation's results of operations, reputation or capacity to fulfill its mandate.

Chairman: Director Ponciano C. Manalo, Jr.

Members: President and CEO Francisco S. Magsajo, Jr.
Director Soledad Emilia J. Cruz
Director Benigno L. Zialcita III

- Summary of Major Accomplishments:

1. Endorsement to the Board on the following:
   a. CPM on the use of Debt Service Coverage Ratio
   b. Risk Classification and Aging of Accounts as of May 2013
   c. Discussion on Insurance for Collaterals under PhilEXIM Guarantee

Corporate Governance Committee

Oversees PhilEXIM's compliance efforts with respect to the Manual of Corporate Governance, Code of Ethics and related laws, rules and regulations, as well as company policies and procedures; keeps abreast with developments in the field of corporate governance affecting PhilEXIM.

Chairman: Director Benigno L. Zialcita III

Members: President and CEO Francisco S. Magsajo, Jr.
Director Vicente S. Aquino
Director Sonia T. Valdeavilla
Director Ponciano C. Manalo, Jr.

- Summary of Major Accomplishments:

  1. Endorsement to the Board on the following:
     a. Composition, functions and responsibilities of the IT Steering Committee
  2. Discussion on the following
     a. Suggestion of a creation of an IT Steering Committee by the Risk Management Group
     b. Compliance Reports on HRD, Treasury Operations, Trainings and Education

SOCIAL RESPONSIBILITY TO THE COMMUNITY

In November of 2013, Haiyan (Yolanda) was one of the most destructive tropical cyclones that made landfall in the Visayas region. About 11 million people were affected and many had been left homeless.

PhilEXIM stepped up to the plate and donated its Christmas party budget to the victims of the devastation. To assist in the government's humanitarian efforts the Agency participated in the **Employees Relief Outreach Initiative** which was held at the DSWD Relief Outreach Center. In the spirit of volunteerism, employees contributed around 300 man-hours and packed basic dried goods such as rice, noodles, coffee and toiletries that were donated by concerned citizens and which were eventually shipped to far-flung areas affected by the Typhoon.

Likewise, PhilEXIM conducted its own **Community Kitchen and Relief goods Distribution** activity which was held at the Tent City in Villamor Air Base Elementary School in Pasay City and where the Yolanda victims were temporarily sheltered. The activity gave the opportunity for employees to bond with the families by sharing packed meals and various goods and even offering entertainment to the kids with a live educational puppet show. About 50 families and 50 children benefitted from the activity.

Caritas, Manila, the lead Church NPO operating in the Philippines, with social services and integrated family development programs for the poor, was also the outlet by which the Agency donated its goods in kind especially clothing, dry foods and toiletries.

To celebrate its 36th Anniversary, PhilEXIM employees also participated in the bloodletting and First-Aid Activity as part of its CSR program.

CESAR V. PURISIMA
CHAIRMAN
Secretary, Department of Finance

FRANCISCO S. MAGSAJO, JR.
VICE CHAIRMAN
President and CEO

GOVERNING **BOARD**

MEMBERS:

Left to Right:

HON. ARSENIO M. BALISACAN
Director General
National Economic and Development Authority

HON. ISIDRO A. CONSUNJI
Chairman
Philippine Overseas Construction Board

HON. GREGORY L. DOMINGO
Secretary
Department of Trade and Industry

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

ALTERNATE MEMBERS:

Left to Right:

HON. SOLEDAD EMILIA J. CRUZ
Assistant Secretary,
Department of Finance

HON. CRISTINO L. PANLILIO
Alternate Member
Undersecretary
Department of Trade and Industry
(Until January 2013)

HON. JUAN DE ZUÑIGA, JR.
Alternate Member
Deputy Governor
Bangko Sentral ng Pilipinas
(Until April 2013)

HON. EMMANUEL F. ESGUERRA
Alternate Member
National Economic and Development Authority

HON. SONIA T. VALDEAVILLA
Alternative Director
Executive Director
Philippine Overseas Construction Board

Not in photo

HON. VICENTE S. AQUINO
Deputy Governor, BSP
Effective June 2013

HON. PONCIANO C. MANALO, JR.
Undersecretary, DTI
(Effective April 2013)

PRIVATE SECTOR REPRESENTATIVES:

DIR. JAY Y. YUVALLOS
Export Sector Representative

DIR. BENIGNO L. ZIALCITA III
Private Sector Representative

DEVELOPMENT 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, fully subscribed by the National Government. 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**
  Guarantees on short-term loans of up to P20 million or its equivalent in US Dollars to direct and indirect exporters, firms involved in priority projects of the government and import substitution industries.

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

- **Wholesale Guarantee Program for SMEs**
  Guarantees on existing loan portfolio of financial institutions to direct and indirect SME exporters with amounts of at least P50 million but not to exceed P200 million per conduit institution.

DIRECT LENDING

- **Short-Term Direct Lending Program for SMEs**
  Short-term loans of up to P20 million to direct and indirect exporters, firms involved in priority projects of National Government and import-substitution industries.

- **Medium to Long-Term Direct Lending Program for SMEs**
  Medium and Long-term loans of up to P50 million to direct and indirect exporters and firms involved in priority projects of the National Government and import substitution industries.

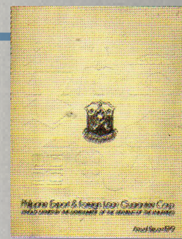
- **Wholesale Direct Lending Program for SMEs**
  Wholesale Lending Program provides short-term working capital to SMEs through conduit financial institutions and export organizations that will, in turn enable retail lending to exporters and sub-contractors.

- **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.

1977

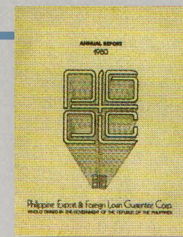
The Philippine Export and Foreign Loan Guarantee Corporation or PHILGUARANTEE was established through Presidential Decree 1080 on January 31. It mandated the Corporation to guarantee not only approved foreign loans for developmental purposes but also loans granted by domestic and foreign financial institutions 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.

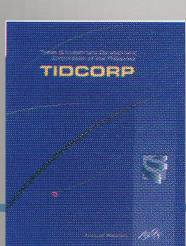
1980



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.

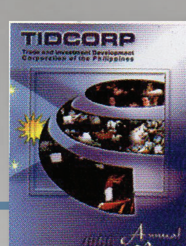
ROSENDO D. BONDOC
(1977-1985)

Republic Act No. 8494 reorganizing and renaming PHILGUARANTEE into the Trade and Investment Development Corporation of the Philippines (TIDCORP).



1998

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

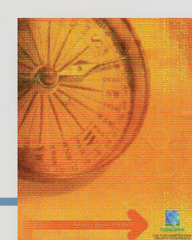


1999

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.

2000

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



2001

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.

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.

CESAR P. MACUJA
(1985-1986)

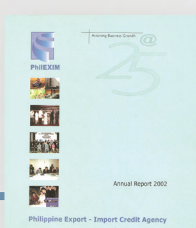
EVP - Officer-in-Charge

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)

2002

TIDCORP celebrates 25 years and per EO No. 85 TIDCORP designated as the Philippine Export-Import Credit Agency. It won the first Gawad Florendo Award for Public Information.

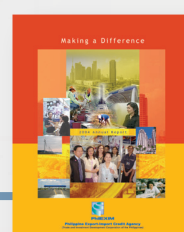


2003

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.

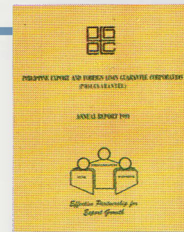
1989

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

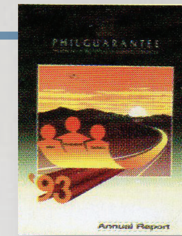
The PHILGUARANTEE Board of Directors approved a general policy framework for the corporate revitalization and financial rehabilitation of the Corporation to facilitate its transformation into the national Export Credit Agency (ECA). A US-based consultancy firm, First Washington Associate (FWA), was tapped 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 its initial guarantee commitment for the US$138 million loan of Manila Electric Company (Meralco) from the Asian Development Bank for Meralco's distribution project.

Years

MILESTONES
1977-2013

JOEL C. VALDES
(2001-2004)

EDUARDO SERGIO G. EDEZA
(2004)

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

2006

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.

2007

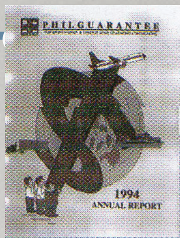
PhilEXIM included in the Corporate Governance Circle for GOCCs and GFIs.

2008

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

2009

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.

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.

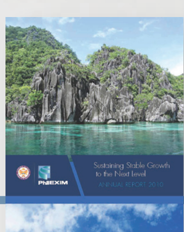
1997

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.

VIRGILIO R. ANGELO
(2004-2007)

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

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



2010

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

2011

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

2012

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.

2013

CREDIT INSURANCE

- **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 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.

These strategic sectors are:
1. Tourism
2. Information and Communications Technology (ICT)
3. Agri-Modernization
4. Infrastructure
5. Energy
6. Mining

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**
  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 post harvest 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, 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.

FRANCISCO S. MAGSAJO, JR.
President and CEO

VICE PRESIDENTS

Back Left to Right:

EDUARDO S. ANGELES
Vice President, SME Department 1

IAN A. BRIONES
Vice President, Corporate Planning and Communications Department

ARSENIO C. DE GUZMAN
Vice President, Loan and Cash Operations Department

ARMAND D. EUGENIO
Vice President, Risk Management and Compliance Office

JULITA LEAH M. GARCIA
Vice President, SME Department 2

ATTY. EMMANUEL R. TORRES
Vice President, Remedial and Asset Disposition and Collection Department

Front Left to Right:

DYNAH GLADY G. NEPOMUCENO-BAYOT
Vice President, Human Resource Department

BOOBIE ANGELA A. OCAY
Vice President, Fund Management Department

ROVI M. PERALTA
Vice President, Account Management Department 1

ESTRELLITA N. TESORO
Vice President, Information Technology Department

EVANGELINE MAURA Q. GOTANGCO
Vice President, Credit Department

Not in photo:

ATTY. PAMELA ANGELI M. SOLIS
Vice President
(resigned as of May 27, 2013)

ELAINE ROSE S. LLAVE
Corporate Executive Officer V
Office of the President and CEO

EVELYN T. VILLAMOR
Vice President, Internal Audit Office

ROWENA C. BORJA
Vice President, Account Management Department 2

JOHANNA ALERIA P. LORENZO
Vice President

ATTY. PAMELA ANGELI M. SOLIS
Vice President
(resigned as of May 27, 2013)

ATTY. VON BRYAN C. CUERPO
Asst. Vice President
(resigned as of August 1, 2013)

MARIANA BEATRIZ E. ZOBEL DE AYALA
Asst. Vice President
(resigned as of November 1, 2013)

SENIOR **MANAGEMENT**

EXECUTIVE VICE PRESIDENTS

ATTY. FLORENCIO P. GABRIEL, JR.
Executive Vice President
and Corporate Secretary
Corporate Strategy Group

FEDERICO F. REMO
Executive Vice President
Operations Group

JANE U. TAMBANILLO
Executive Vice President
Business Development Group II

EUGENIA O. SINNUNG
Executive Vice President
Risk Management Group

SENIOR VICE PRESIDENTS

ATTY. ISABELO G. GUMARU
Senior Vice President and Chief Legal Counsel

CELSO R. GUTIERREZ
Senior Vice President
SME Sector

MARILOU A. MEDINA
Senior Vice President
Finance Services Sector

ATTY. JANE L. LARAGAN
First Senior Vice President and OIC
Business Development Group 1

Chief of Staff
Office of the President and CEO

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
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 known as Philippine Export-Import Credit Agency (PhilEXIM), which comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year 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 preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit 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 the 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 the 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2013 required by the Bureau of Internal Revenue as disclosed in Note 24 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

EDGARDO T. GUIRIBA
Supervising Auditor

May 21, 2014

Statement of FINANCIAL POSITION

December 31, 2013
(In Philippine Peso)

	Note	2013	2012 (As Restated)
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	**164,427,604**	184,871,252
Financial investments - available-for-sale	4	**1,582,008,200**	1,493,783,178
Loans and receivables - net	5	**958,277,475**	697,173,597
Other assets	9	**7,148,922**	31,686,093
		2,711,862,201	2,407,514,120
NON-CURRENT ASSETS			
Loans and receivables, net	5	**281,120,779**	496,958,696
Investment property, net	6	**86,580,627**	144,121,220
Property and equipment - net	7	**80,130,191**	83,993,237
Intangible assets, net	8	**8,088,908**	11,746,346
Other assets	9	**29,627,162**	29,611,387
		485,547,667	766,430,886
TOTAL ASSETS		**3,197,409,868**	3,173,945,006
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	10	**128,047,335**	332,371,560
Interest payable	12	**6,483,719**	6,784,253
Loans payable	11	**2,200,000,000**	2,050,000,000
Accrued expenses	13	**27,602,389**	13,352,089
Income tax payable	14	**12,227,059**	6,012,706
Unearned income	15	**129,531,278**	130,475,380
Miscellaneous payables	16	**23,755,048**	28,303,844
		2,527,646,828	2,567,299,832
NON-CURRENT LIABILITIES			
Unearned Income	15	**17,916,263**	3,486,974
TOTAL LIABILITIES		**2,545,563,091**	2,570,786,806
EQUITY	17	**651,846,777**	603,158,200
TOTAL EQUITY and LIABILITIES		**3,197,409,868**	3,173,945,006
CONTINGENT LIABILITIES			
Guarantees outstanding	18	**14,341,199,991**	14,965,044,596
Credit insurance policies outstanding		**-**	-
CONTINGENT ACCOUNT - OTHERS			
Items Held as Collateral	19	**209**	369

The Notes on pages 30 to 38 form part of these financial statements.

Statement of

COMPREHENSIVE INCOME

For the Year Ended December 31, 2013
(In Philippine Peso)

	Note	2013	2012 As Restated
Income			
Operating income	20	**533,186,816**	552,600,179
Other income	20	**47,031,335**	(1,974,617)
		580,218,151	550,625,562
Expenses			
Operating expense:			
Personal services	21	**111,279,525**	113,858,012
Provision for doubtful accounts		**37,438,268**	11,502,196
Licenses and taxes		**25,092,289**	27,076,093
Depreciation expenses		**13,043,710**	16,778,405
Rent, light and water		**11,069,044**	11,831,529
Other services		**6,388,375**	5,816,606
Amortization expense		**3,657,438**	1,675,113
Audit fees and services		**3,283,467**	3,253,812
Repairs and maintenance		**3,188,098**	2,031,230
Communication expense		**3,096,583**	2,894,638
Impairment loss - properties & equipment		**2,020,669**	538,078
Travelling expense		**1,899,044**	843,642
Legal fees and other services		**1,626,728**	988,130
Business development expense		**1,625,022**	2,841,100
Staff training and development		**1,617,023**	824,723
Representation expense		**1,544,940**	2,318,407
Administration expense		**1,486,784**	2,080,265
Insurance		**1,272,388**	1,119,657
Fuel, oil and lubricants		**916,971**	931,273
Supplies and materials		**768,488**	821,893
Miscellaneous expense		**667,443**	352,788
Dues and subscription		**564,920**	826,301
Discretionary expense		**554,534**	699,298
Consultancy expense		**300,000**	494,500
Donation & contribution		**6,000**	200,000
Other expense:			
Interest and financial charges	22	**108,198,152**	107,936,725
		342,605,903	320,534,414
Income before income tax		**237,612,248**	230,091,148
Investment income tax	23	**15,038,263**	20,297,680
Provision for corporate income tax		**70,019,698**	
Total Income taxes		**85,057,961**	20,297,680
Net revenues		**152,554,287**	209,793,468
Other comprehensive income			
Unrealized gain/(loss) - AFS		**(18,196,673)**	43,885,903
Total comprehensive income for the year		**134,357,614**	253,679,371

The Notes on pages 30 to 38 form part of these financial statements.

Statement of

CHANGES IN EQUITY

For the Year Ended December 31, 2013
(In Philippine Peso)

	Capital Stock 17.1	Deficit 17.2	Comprehensive Income 17.3	Total
Balance, January 1, 2012	5,461,899,438	(5,016,970,082)	31,703,231	476,632,587
Dividends payment to the National Government		(86,374,970)		(86,374,970)
Increase in fair value adjustment			12,182,672	12,182,672
Prior period adjustments		(9,075,557)		(9,075,557)
Net income		209,793,468		209,793,468
Balance, December 31, 2012	**5,461,899,438**	**(4,902,627,141)**	**43,885,903**	**603,158,200**
Dividends payment to the National Government		(43,849,609)		(43,849,609)
Prior period adjustments		2,066,475		2,066,475
Decrease in fair value adjustment			(62,082,576)	(62,082,576)
Net income		152,554,287		152,554,287
Balance, December 31, 2013	**5,461,899,438**	**(4,791,855,988)**	**(18,196,673)**	**651,846,777**

The Notes on pages 30 to 38 form part of these financial statements.

Statement of

CASH FLOWS

For the Year Ended December 31, 2013
(In Philippine Peso)

	2013	As Restated 2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Guarantee, interest and premium receipts	**347,200,241**	379,695,678
Miscellaneous income	**189,643,932**	188,715,102
Cash payments to employees and suppliers	**(136,381,542)**	(105,682,094)
(Increase) decrease in operating assets:		
Loan releases and claims payment under the guarantee program	**(259,582,314)**	(186,996,003)
Collection of miscellaneous and other receivables	**751,751**	829,127
Increase (decrease) in operating liabilities:		
Deposits from customers and contractors	**11,946,057**	16,957,004
Payment to clients/govt. agencies	**(92,365,789)**	(104,600,092)
Net cash provided by/(used in) operating activities	**61,212,336**	188,918,722
CASH FLOWS FROM INVESTING ACTIVITIES		
Net placements/proceeds of matured securities	**(165,377,351)**	348,365,951
Sale of property and equipment	**85,095,142**	422,120
Purchase of property and equipment	**(3,341,773)**	(6,965,991)
Net cash provided by/(used in) investing activities	**(83,623,982)**	341,822,080
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	**(43,849,609)**	(86,452,011)
Corporate Borrowings	**450,000,000**	500,000,000
Guarantee Fee due to the National Government	**(13,500,000)**	(11,760,044)
Lenders representing amortization of borrowings	**(300,000,000)**	(650,000,000)
Lenders for interest and financial charges	**(90,692,621)**	(100,559,458)
Net cash provided by financing activities	**1,957,770**	(348,771,513)
Effect of exchange rate changes on cash on hand and in banks	**10,228**	(230,464)
Net increase/(decrease) in cash on hand and in banks	**(20,443,648)**	181,738,825
Cash and cash equivalents at beginning of period	**184,871,252**	3,132,427
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**164,427,604**	184,871,252

The Notes on pages 30 to 38 form part of these financial statements.

Notes to
FINANCIAL STATEMENTS
(All amounts in Philippine Peso unless otherwise stated)

1. 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. Established on January 31, 1977 by virtue of Presidential Decree No.1080, the Corporation was renamed TIDCORP and granted expanded functions by Republic Act 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.

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

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.

Under Republic Act No. 8494, TIDCORP's expanded functions are the following:

- 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;
- To guarantee loans granted by Philippine banking and financial institutions to qualified exporters, producers of export products, and contractors with approved service contracts abroad;
- 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;
- 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;
- To provide technical assistance in the preparation, financing and execution of development or expansion of programs, including the formulation of specific project proposals; and
- To undertake such actions that is consistent with the primary purposes of the Corporation.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements of the Corporation are as follows:

2.1. Basis of preparation

(a) Statement of Compliance with Philippine Financial Reporting Standards

The accompanying financial statements of TIDCORP for the year ended December 31, 2013 have been prepared by applying accounting policies in accordance with the Philippine Financial Reporting Standards (PFRS), and applicable rules and regulations of the Bangko Sentral ng Pilipinas (BSP), to achieve a fair presentation of the financial statements.

TIDCORP is a going concern entity which financial statements have been prepared on accrual basis, except when stated otherwise, and in accordance with the historical cost convention. The presentation and classification of item in the financial statements is consistent with the previous year.

Comparative information has been presented in respect of the previous period for all amounts reported in the financial statements.

The financial statements for the year ended December 31, 2013 were authorized for issue in acceptance with a resolution of the Board of Directors on January 29, 2014.

(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 in a single statement of comprehensive income.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the 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.

The accompanying financial statements of TIDCORP for the year ended December 31, 2013 have been prepared by applying accounting policies in accordance with the Philippine Financial Reporting Standards (PFRS), the Philippine Accounting Standards (PAS) and applicable rules and regulations to achieve a fair presentation of the financial statements.

2.2. Adoption of New and Amended PFRS

(a) Effective in 2013 that are Relevant to TIDCORP

In 2013, the TIDCORP adopted for the first time the following new PFRS, revisions and amendments thereto that are relevant to the Corporation and effective for financial statements for the annual period beginning on or after July 1, 2012 or January 1, 2013:

PAS 1 (Amendment)	:	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
PFRS 13	:	Fair Value Measurement
Annual Improvements	:	Annual Improvements to PFRS (2009-2011) Cycle

(i) PAS 1 (Amendment), ***Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*** (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRS: (a) will not be reclassified subsequently to profit or loss, and (b) will be reclassified subsequently to profit or loss when specific conditions are met. The amendment has been applied retrospectively; hence, the presentation of other comprehensive income has been modified to reflect the changes. In 2013, TIDCORP also opted to present a single statement of comprehensive income. Prior period comparatives have been restated as a consequence of this change in presentation.

(ii) PFRS 13, ***Fair Value Measurement*** (effective from January 1, 2013). This new standard clarifies the definition of fair value and provides guidance and enhanced disclosures about fair value measurements. The requirements under this standard do not extend the use of fair value accounting but provide guidance on how it should be applied to both financial instrument items and non-financial items for which other PFRS require or permit fair value measurements or disclosures about fair value measurements, except in certain circumstances. This new standard applies prospectively from annual period beginning January 1, 2013, hence, disclosure requirements need not be presented in the comparative information in the first year of application.

The application of this new standard had no significant impact on the amounts recognized in the financial statements.

(iii) Annual Improvements to PFRS 2009 – 2011. Annual improvement to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following are relevant to TIDCORP:

(a) PAS 1 (Amendment), ***Presentation of Financial Statements – Clarification of the Requirements for Comparative Information***. The amendment clarifies that a statement of financial position as at the beginning of the preceding period (third statement of financial position) is required when an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the third statement of financial position. The amendment specifies that other than disclosure of certain specified information in accordance with PAS 8, ***Accounting Policies, Changes in Accounting Estimates and Errors,*** related notes to the third statement of financial position are not required to be presented. This amendment has no significant effect on the financial statements of the Corporation.

(b) PAS 16 (Amendment), ***Property, Plant and Equipment – Classification of Servicing Equipment.*** The amendment addresses a perceived inconsistency in the classification requirements for servicing equipment, which resulted in classifying servicing equipment as part of inventory when it is used for more than one period. It clarifies that items, such as spare parts, stand-by equipment and servicing equipment shall be recognized as property, plant and equipment when they meet the definition of property, plant and equipment, otherwise, these are classified as inventory. This amendment had no impact on TIDCORP's financial statements since it has been recognizing those servicing equipment in accordance with the recognition criteria under PAS 16.

(b) Effective in 2013 that are not Relevant to TIDCORP

The following amendments, annual improvements and interpretation to PFRS are mandatory for accounting periods beginning on or after January 1, 2013 but are not relevant to TIDCORP's financial statements:

PFRS 1 (Amendment)	:	First-time Adoption of PFRS – Government Loans First-time Adoption of PFRS– Repeated Application of PFRS 1 and Borrowing Cost
Annual Improvements PAS 34 (Amendment)	:	Interim Financial Reporting – Interim Financial Reporting and Segment Information for Total Assets and Liabilities
Philippine Interpretation International Financial Reporting Interpretation Committee 20	:	Stripping Costs in the Production Phase of a Surface Mine
PAS 19 (Revised)		Employee Benefits
PFRS 7 (Amendment)		Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

PFRS 10	Consolidated Financial Statements
PFRS 11	Joint Arrangements
PFRS 12	Disclosure of Interests in Other Entities
PFRS 10, 11 and PFRS 12(Amendments)	Amendments to PFRS 10, 11 and 12 Transition Guidance to PFRS 10, 11 and 12
PAS 27(Revised)	Separate Financial Statements
PAS 28 (Revised)	Investments in Associate and Joint Venture

(c) Effective Subsequent to 2013 but not Adopted Early

There are new PFRS, amendments and annual improvements and interpretation to existing standards that are effective for periods subsequent to 2013. Management has initially determined the following pronouncements, which TIDCORP will apply in accordance with their transitional provisions, to be relevant to its financial statements:

(i) PAS 36 (Amendment), ***Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets*** (effective from January 1, 2014). The amendment clarifies that the requirements for the disclosure of information about the recoverable amount of assets or cash-generating units is limited only to the recoverable amount of impaired assets that is based on fair value less cost of disposal. It also introduces an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount based on fair value less cost of disposal is determined using a present value technique. Management will reflect in its subsequent years' financial statements the changes arising from this relief on disclosure requirements, if the impact of the amendment will be applicable.

(ii) PFRS 9, ***Financial Instruments: Classification and Measurement.*** This is the first part of a new standard on financial instruments that will replace PAS 39, ***Financial Instruments: Recognition and Measurement,*** in its entirety. The first phase of the standard was issued on November 2009 and October 2010 and contains new requirements and guidance for the classification, measurement and recognition of financial assets and financial liabilities. It requires financial assets to be classified into two measurement categories: amortized cost or fair value. Debt instruments that are held within a business model whose objective is to collect the contractual cash flows that represent solely payments of principal and interest on the principal outstanding are generally measured at amortized cost. All other debt instruments and equity instruments are measured at fair value. In addition, PFRS 9 allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to the liability's credit risk is recognized in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

In November 2013, the IASB has published amendments to International Financial Reporting Standard (IFRS) 9 that contain new chapter and model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures. The amendment also now requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather in profit or loss. It also includes the removal of the January 1, 2015 mandatory effective date of IFRS 9.

To date, the remaining chapter of IFRS/PFRS 9 dealing with impairment methodology is still being completed. Further, the IASB is currently discussing some limited modifications to address certain application issues regarding classification of financial assets and to provide other considerations in determining business model.

The TIDCORP does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the financial statements of TIDCORP and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

2.3. Significant accounting judgments and estimates

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:

2.4. 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 income statement. 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 BSP rules and regulations, such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

2.5. Summary of Significant Accounting Policies

a) Property and Equipment

Property and equipment (PE) includes office space, transportation and office equipment. All PEs are shown at cost less accumulated depreciation and accumulated impairment losses. COA Circular 2005-002 dated April 14, 2005 entitled "Accounting policy on items with serviceable life of more than one year but small enough to be considered as property, plant and equipment" sets the policy by which government assets may be categorized as Property and Equipment and as Inventories.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Corporation and the cost of the item can be measured reliably. All other repairs and maintenance are recognized in the income statement during the period in which they are incurred.

Depreciation on asset is calculated using the straight-line method to allocate the cost of the asset net of residual value of ten per cent of cost over its estimated useful life as prescribed by COA Circular 2003-007 "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	10-30 years
• Office equipment, furniture & fixtures	5-10 years
• Transportation equipment	7-10 years
• Other property, plant & equipment	5 years

Depreciation 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 balance sheet date.

At each balance sheet 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 property and equipment 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.

The effect of a change in accounting estimates shall be recognized prospectively by including it in profit or loss in the period of the change, if the change affects that period only; or in the period of the change and future periods, if the change affects both.

To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognized by adjusting the carrying amount of the related asset, liability or equity item in the period of change.

An entity shall disclose the nature and amount of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in future periods, except for the disclosure of the effect on future periods when it is impracticable to estimate that effect.

If the amount of the effect in future periods is not disclosed because estimating it is impracticable, an entity shall disclose the fact.

b) Investment Property

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both.

b.1 Investment Property – Building

Investment Property (IP) includes office space not used in operations. Investment property shall be recognized as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost of the investment property can be measured reliably. IP is held to earn rentals or for capital appreciation or both.

An investment property is initially recorded at cost, which includes transaction costs. 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 per cent of cost over its estimated useful life.

Transfer to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property;
- commencement of an operating lease to another party, for a transfer from inventories to investment property;
- end of construction or development, for a transfer from property in the course of construction or development to investment property.

An investment property is derecognized upon disposal or when the investment property 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 investment property are recognized in profit or loss in the period of the retirement or disposal.

b.2. Investment Property – Acquired Assets/Real and Other Properties Acquired (ROPA)

This refers to the real and other properties acquired in settlement of loans and receivables under the Direct Lending and Guarantee Programs, through foreclosure or dacion in payment. ROPA are booked initially 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):

- Land and buildings are accounted for using the cost model under PAS 40 “Investment Property”;
- Other non-financial assets shall be accounted for using the cost model under PAS 16 “Property Plant and Equipment”;
- 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
- 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 provision for probable losses (impairment) – ROPA.

Investment Property (IP) includes office space not used in operations. Investment property shall be recognized as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost of the investment property can be measured reliably. IP is held to earn rentals or for capital appreciation or both.

An investment property is initially recorded at cost, which includes transaction costs. 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 per cent of cost over its estimated useful life.

Transfer to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property;
- commencement of an operating lease to another party, for a transfer from inventories to investment property;
- end of construction or development, for a transfer from property in the course of construction or development to investment property.

An investment property is derecognized upon disposal or when the investment property 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 investment property are recognized in profit or loss in the period of the retirement or disposal.

c) Financial Instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics.

c.1 Due from banks and loans and receivables

“Due from banks” and “Loans and receivables” are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as ‘Financial assets held for trading, designated as “Financial investment – available-for-sale” or “financial assets designated at fair value through profit or loss”. “Loans and Receivables” are measured at amortized cost using the effective interest method. Those with maturities in less than one year are included in the current assets, and those with maturities greater than 12 months after the balance sheet date are classified as non-current assets.

c.2 Available for Sale (AFS) Investments

Available-for-sale financial assets are non-derivative financial assets that are 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.

Unrealized gains or losses of AFS shall be included directly in equity and shown in the statement of changes in equity.

Those available-for-sale financial assets may be included in the current assets and non-current assets. These financial assets are classified as non-current assets unless the intention is to dispose such assets within 12 months from the balance sheet date.

d) Impairment of Assets

Assets that are subject to amortization are tested for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. Impairment losses are recognized in the income statement in the period in which they were incurred.

Starting January 01, 2005 TIDCORP’s property and equipment were carried at cost less any accumulated depreciation and accumulated impairment losses. As of balance sheet date, review of the carrying amount of TIDCORP’s property and equipment indicated impairment for some items. Hence, recoverable amount for these assets were estimated. The impairment loss was properly recognized in the income statement.

e) Foreign Currency-Denominated Monetary Assets

The Corporation’s accounting for foreign currency-denominated monetary assets is guided by PAS/IAS 21 “The Effects of Changes in Foreign Exchange Rates” which was adopted effective January 01, 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 Balance Sheet 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.

f) 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 per cent 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.

g) Recognition of income

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

g.1 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.

g.2 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.

g.3 Income from Insurance Operations

Insurance premium is recognized as income at gross upon the effectivity of the policy. The corresponding reinsurance costs and broker’s commission are deducted from gross insurance revenues. TIDCORP’s commission income is immediately recognized and offset against premiums due to the reinsurer.

h) Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, current accounts and amounts due from banks on demand or with original maturity of three months or less.

i) 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.

TIDCORP’s provisioning of valuation reserves on doubtful accounts is pursuant to Bangko Sentral ng Pilipinas (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 7 per cent, 5 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 3 per cent and by January 1, 2012 should be at 5 per cent.

In CY 2012, the deficiency in provisions for doubtful accounts in the amount of P1.038 million was recognized in the books to comply with accounting standards. This resulted to CAR of only 3.000% as at December 31, 2012, below the 5 per cent approved by the BSP-MB. As at December 31, 2013, CAR is only at 3.59 per cent, still below the required benchmark approved by the BSP-MB of 7 per cent due to delays in the equity infusion from the National Government (NG).In line with this development, TIDCORP is proposing for a transitory CAR of 3 per cent over two years for CY 2013-2014, while awaiting additional equity from the National Government.

j) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting periods. Significant areas where management's judgment is applied include asset valuations, depreciation and depletion, contingent liabilities and the provision for probable losses. Actual results may differ from estimates.

3. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2013	2012 (As restated)
Cash on hand	**2,512,832**	221,955
Cash in bank		
Foreign currency	**6,297,770**	4,664,714
Land Bank of the Philippines (LBP)	**877,008**	4,343,019
Development Bank of the Philippines (DBP)	**261,994**	441,564
	9,949,604	9,671,252
Special savings deposit		
Investment in Option Savings Deposit-DBP	**118,270,000**	-
Investment in High Yield Special Savings Deposit-DBP	**23,103,000**	-
Investment in High Yield Special Savings Deposit-LBP	**13,105,000**	-
Special Trust Deposit – LBP	**-**	103,000,000
Special Trust Deposit – DBP	**-**	72,200,000
	154,478,000	175,200,000
	164,427,604	184,871,252

Short-term placements are maintained as part of management's policy to secure the liquidity position of the Agency. This assures that funds are available to meet the liquidity requirements of the Corporation.

The short-term placements as at December 31, 2013 have terms ranging from 6 to 35 days and with effective interest rates at 0.375 to 1.15 per cent per annum.

4. FINANCIAL INVESTMENTS - AVAILABLE FOR SALE

This account is composed of the following:

	2013	2012 (As restated)
Treasury bonds	**986,620,372**	1,197,564,434
Retail treasury bond	**560,687,169**	264,035,434
FCD ROP bonds*	**34,700,659**	32,183,310
	1,582,008,200	1,493,783,178

**Foreign Currency Denominated / Republic of the Philippines*

The Corporation's available for sale (AFS) investments is stated at market value with accumulated unrealized loss of P18,196,673 reflected in the fair value adjustment in the equity section of the statement of financial position .

5. LOANS AND RECEIVABLES

5.1. Current

This account consists of the following:

	2013	2012 (As restated)
Loans receivable – current	**947,332,780**	687,551,389
Interest receivable on investments	**18,676,655**	25,081,124
Accounts receivable – current	**9,563,677**	2,257,123
Interest receivable – loans	**7,370,137**	6,704,437
Guarantee fees receivable	**450,656**	472,493
	983.393,905	722,066,566
Allowance for doubtful accounts	**19,242,226**	14,277,962
Loans receivable- discount	**5,874,204**	10,615,007
	958,277,475	697,173,597

Loans receivable

This account represents the outstanding balance of loan releases to clients under the Retail Direct Lending and the Wholesale Lending Programs. Loan releases amounted to P1,104,488,315 for short-term loans while loan collections amounted to P844,706,924.

Accounts receivable

This account 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 P6,735,125 to be collected in CY 2014.

Guarantee fees receivable

This account represents guarantee fees due on the interest portion of the guaranteed obligations of the Agency from several accounts.

Interest receivable on loans

This account represents accrued interest receivable from loans receivable with current status as at the balance sheet 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

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

	2013	2012 (As restated)
Treasury bonds	**16,910,719**	23,257,382
Philippine interest reduction bonds	**1,725,571**	1,725,571
Special savings deposit	**38,489**	91,069
FCD time deposit	**1,876**	7,102
	18,676,655	25,081,124

5.2. Non-current

This account consists of the following:

	2013	2012 (As Restated)
Loans receivable - non-current, net	**266,220,779**	P 496,925,886
Accounts receivable- Compromise Agreements	**14,900,000**	-
Receivable from subrogated claims, net	**-**	32,810
	281,120,779	496,958,696

Loans receivable

This account represents the long-term portion of the outstanding balance of the loans receivable originated by the enterprise under the Direct Lending Program. Loan releases amounted to P101,679,208 for long-term loans while loan collections amounted to P332,384,314.

	2013	2012 (As restated)
Loan receivable - long-term portion	**310,322,842**	521,631,907
Loan Receivable Discount	**16,187**	-
Allowance for doubtful accounts	**44,085,876**	24,706,021
	266,220,779	496,925,886

Accounts Receivable- Compromise Agreements

Represents various receivables arising from Compromise Agreements mutually and freely agreed upon by TIDCORP and various default accounts and duly approved by the Court in CY 2010, with an outstanding balance of P21,635,125, of which P14,900,000 are due to be collected in CY 2015-2017, details as follows:

(a) Paramount Insurance Corp.	14,400,000
(b) Menage Jewelry Mfg. Inc.	500,000
	14,900,000

Receivables from subrogated claims

This account 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 CYs 1980 to 2013. The guarantee accommodations for these accounts were issued during the period 1979 to 2007.

In CY 2007, the Corporation commenced the implementation of the Board-approved modified-deferred approach of writing off non-performing accounts (NPA) in the books within a period of three (3) years. TIDCORP booked the write-off of NPAs in the amount of P196.163 million, P197.648 million and P663.613 million in CY 2007, 2008 and 2009, respectively.

In CY 2011-2012, the Corporation wrote off a non-performing big-ticket account, Metrostar Ferry, Inc. (MFI) in the amount of P153.948 million and several SME accounts in the amount of P14.699 million.

In CY 2012, TIDCORP fully provided the balance of the Receivables from subrogated claims of P714,179 million, pursuant to PAS 37 and BSP regulations, as follows:

	2012
World Granary, Incorporated	405,515,760
Software Ventures, Incorporated	269,290,842
Metrostar Ferry, Incorporated	39,322,821
E and B Industries	49,943
	714,179,366

	2013	2012 (As restated)
Receivable from subrogated claims	**2,484,289,205**	2,265,809,671
Allowance for doubtful accounts	**(2,484,289,205)**	(2,265,776,861)
	-	32,810

From CY 2007 to 2013, TIDCORP settled advances on called guarantees for the following accounts:

	2007	2008	2009	2010	2011	2012	2013	Total
General Facility Program								
a. World Granary Inc.	-	709,951,184	454,169,762	438,281,302	183,604,463	171,412,514	**218,621,630**	2,176,040,855
b. Software Ventures Inc.	25,416,899	26,206,747	15,774,490	240,788,820	-	-	**-**	308,186,956
c. Metrostar Ferry, Inc.	-	-	-	-	114,518,826	39,428,891	**-**	153,947,717
	25,416,899	736,157,931	469,944,252	679,070,122	298,123,289	210,841,405	**218,621,630**	2,638,175,528
Small and Medium Enterprises Program								
a. Gibon Furniture Center	-	6,600,984	-	-	-	-	**-**	6,600,984
b. Southwoods Apparel Inc.	-	4,785,928	-	-	-	-	**-**	4,785,928
c. Beve Sea Enterprises	-	-	1,489,856	-	-	-	**-**	1,489,856
d. Factory Direct Ventures, Co. Ltd.	-	-	535,884	-	-	-	**-**	535,884
e. E & B Industries	-	-	-	-	2,775,943	-	**-**	2,775,943
	-	11,386,912	2,025,740	-	2,775,943	-	**-**	16,188,595
	25,416,899	747,544,843	471,969,992	679,070,122	300,899,232	210,841,405	**218,621,630**	2,654,364,123

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 P2.65 billion covering principal and interest amortizations covering the period from December 2006 to December 2013 for large and SME accounts. For Software Ventures Inc. (SVI), a total of P308.19 million has been paid representing interest of P70.77 million from February 2007 and full settlement of the principal loan of US$5-million or P237.42 million due last May 2010 with Deutsche Bank.

For World Granary, Inc (WGI), a total of P2.18 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 2013 based on the court's order as embodied in the approved Rehabilitation Program of WGI issued last June 2008.

For Metrostar Ferry, Inc. (MFI), a total of P153.95 million was paid to the Philippine Veterans Bank (PVB) from CY 2011-2012 covering principal of P132.19 million and interest of P21.86 million.

Receivables from subrogated claims
Allowance for doubtful accounts

	2013
General Facility Program	
World Granary Inc.	2,176,040,854
Software Ventures Inc.	286,935,252
Guimba Development Corp.	20,584,180
Sub-total	2,483,560,286
Small and Medium Enterprises Program	
Beve Sea Enterprises	412,015
E & B Industries	304,129
Forram Corporation	12,675
Sub-total	728,819
Written off accounts	100
	2,484,289,205

6. INVESTMENT PROPERTY

This account represents the cost of the office spaces at the TIDCORP-owned3rd and 4thfloors of the Citibank Center, Citibank Plaza building for lease and acquired assets or Real and other properties acquired (ROPA) which were reclassified from the Building account and Acquired assets/ROPA account in compliance with PAS No. 40, as follows:

	Investment Property Building	Investment Property ROPA	Total
Cost			
January 1, 2013	**119,495,614**	**106,507,136**	**226,002,750**
Disposal	**(74,682,987)**	**(9,091,714)**	**(83,774,701)**
December 31, 2013	**44,812,627**	**97,415,422**	**142,228,049**
Accumulated depreciation,			
January 1, 2013	**52,220,656**	**12,876,852**	**65,097,508**
Depreciation	**1,706,155**	**4,766,412**	**6,472,567**
Disposal	**(32,675,599)**	**(2,045,076)**	**(34,720,675)**
Accumulated depreciation December 31, 2013	**21,251,212**	**15,598,188**	**36,849,400**
Accumulated impairment,			
January 1, 2013	**-**	**16,784,022**	**16,784,022**
Adjustment	**-**	**2,014,000**	**2,014,000**
Accumulated impairment December 31, 2013	**-**	**18,798,022**	**18,798,022**
Net book value December 31, 2013	**23,561,415**	**63,019,212**	**86,580,627**
Net book value December 31, 2012	67,274,958	76,846,262	144,121,220

The Investment property – non-current assets held for sale covers the properties acquired by the Corporation through dacion in payment or foreclosure in settlement of loans under the Direct Lending and Guarantee Programs.

7. PROPERTY AND EQUIPMENT

This account consists of the following:

	Building	Transportation Equipment	Office Equipment	IT Equipment	Total
Cost					
January 1, 2013	**87,456,709**	**12,545,268**	**10,303,031**	**27,098,933**	**137,403,941**
Additions	**-**	**-**	**550,620**	**2,164,146**	**2,714,766**
Disposal/Retirement	**-**	**-**	**-**	**-**	**-**
Reclassification	**-**	**-**	**-**	**-**	**-**
December 31, 2013	**87,456,709**	**12,545,268**	**10,853,651**	**29,263,079**	**140,118,707**
Accumulated depreciation					
January 1, 2013	**24,053,040**	**6,739,234**	**8,481,191**	**10,723,612**	**49,997,077**
Depreciation	**2,738,407**	**1,200,867**	**751,030**	**1,880,839**	**6,571,143**
December 31, 2013	**26,791,447**	**7,940,101**	**9,232,221**	**12,604,451**	**56,568,220**
Accumulated impairment					
January 1, 2013	**-**	**942,785**	**715,322**	**1,755,520**	**3,413,627**
Impairment	**-**	**-**	**-**	**6,669**	**6,669**
December 31, 2013	**-**	**942,785**	**715,322**	**1,762,189**	**3,420,296**
Net book value December 31, 2013	**60,665,262**	**3,662,382**	**906,108**	**14,896,439**	**80,130,191**
Net book value December 31, 2012	63,403,669	4,863,249	1,106,518	14,619,801	83,993,237

8. INTANGIBLE ASSETS

This account represents the automated systems launched by the Corporation from CY 2008 to 2012 covering backroom operations in line with the Corporate initiative to improve turn-around time and benchmark to real-time processing through the automation of major processes. The automated systems are composed of the following:

(a) Trade Finance and Loan System (TFLS)

The system that manages and controls the backend operations and activities in processing various programs of the Corporation, namely, Guarantee, Lending and Credit Insurance.

(b) Financial Information System (FIS)

This 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 developed in CY 2012, which aims to automate the processing and consolidation of all financial transactions of the Corporation, still requires manual intervention in the generation of some transaction entries including the closing of income and expense to the retained earnings account, the abnormal/negative balances of some sub-accounts due to user error allowed by the system, and the general ledger which reflect instead of control accounts only, includes the combination of the account's various sub-accounts.

(c) Human Resource Information System (HRIS)

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

9. OTHER ASSETS

9.1. Current

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

	2013	2012 (As restated)
Prepaid expenses	**2,543,014**	2,918,599
Receivables from BIR	**2,193,584**	1,645,238
Office supplies & other inventory	**916,295**	487,150
Prepaid documentary stamp tax	**468,509**	236,012
Lease income receivable	**388,867**	1,850,060
Petty cash/revolving fund	**262,094**	220,777
Accounts receivable - officers and employees	**136,542**	291,253
Other receivables	**131,774**	
Advances to officers and employees	**108,243**	600,320
Deferred charges – MCIT	**-**	23,436,684
	7,148,922	31,686,093

The two per cent Minimum Corporate Income Tax (MCIT) for the taxable year 2012 is recorded to an asset account, "Deferred charges – MCIT" was credited against the normal income tax due for a period not exceeding three taxable years immediately succeeding the taxable year in which the same has been paid pursuant to the provisions of BIR Revenue Regulation No 9-98 dated August 25, 1998. For CY 2013, the expired portion of deferred charges – MCIT amounts to P5.139 million.

9.2. Non-current

This account consists of the following:

	2013	2012 (As restated)
Non-trade receivables – net	16,920,480	16,920,480
Sales contract receivable- net	3,669,406	3,669,406
Accounts receivable-National Gov't. - net	3,382,794	3,382,794
Premium reserve fund	286,499	286,499
Miscellaneous assets	5,367,983	5,352,208
	29,627,162	29,611,387

Non-trade receivables

This account covers the non-trade receivables from the TIDCORP Provident Fund (TPF) representing the seed money allocated and released to institute the Car Fund being administered by the TPF, to cover the Car Plan of qualified TIDCORP Officers.

Particulars	Amount	Allowance for doubtful accounts	Net amount
TIDCORP Provident fund	16,920,480	-	16,920,480
Existing employees	2,025	2,025	-
Separated employees	66,247	66,247	-
Others	5,183,096	5,183,096	-
	22,171,848	5,251,368	16,920,480

Sales contract receivable

This 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 (BSP Circular No. 380, Series of 2003).

Accounts receivable – National Government

This account 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.

	2013	2012 (As restated)
Accounts receivable	6,765,588	6,765,588
Allowance for doubtful accounts	(3,382,794)	(3,382,794)
	3,382,794	3,382,794

Premium reserve fund

This account 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 (CI) Program, set aside as reserves to cover future claims.

Miscellaneous assets

This account represents the following assets of the Corporation:

	2013	2012 (As restated)
Paintings/other assets	3,114,463	3,114,463
Deposit to various contractors	1,459,029	1,450,101
Tower Club Corporate membership	636,000	636,000
Due from National Government Agencies (ST)	158,491	151,644
	5,367,983	5,352,208

10. ACCOUNTS PAYABLE

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

	2013	2012 (As restated)
Pari-passu payable – banks	127,150,447	332,168,141
Accounts payable – banks	1,460,523	17,100
Accounts payable – clients	76,198	-
Refund of processing fees	14,850	100,000
COFACE/COGERI	862	91,910
Others – refund	(28,537)	(5,591)
Accounts payable – fixed assets	(627,008)	-
	128,047,335	332,371,560

10.1. Pari-passu payable – banks

This account represents the liability of the Corporation to the Participating Financial Institutions (PFI) representing default guarantees/contingent liabilities for the account of World Granary, Inc. (WGI), provision for doubtful outstanding guarantees pursuant to PAS 37 as well as the corresponding share of banks in TIDCORP's collections/recoveries and proceeds from the sale of acquired assets from default accounts under the Guarantee Program.

In CY 2012, TIDCORP fully recognized the deficiency in valuation reserves for all default guaranteed accounts in compliance to PAS 37.

The decrease in Pari-passu Payable - Banks represents payment for the account of WGI in the amount of P218.62 million and foreign exchange differential on the dollar-denominated obligation related to the default guaranteed loans of WGI of US$ 2.517 million from P41.263/US$1 as of December 31, 2012 to P44.414/US$1 as of December 31, 2013. The P127.150 million pari-passu payable represents the remaining dollar obligations to a creditor-bank for the account of WGI of P111.654 million and set up of provisioning of P13.094 million for a monitored accounts under the Guarantee program and P 2.402 million representing banks' share in various recoveries of TIDCORP from default guaranteed accounts.

10.2. COFACE

This account 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.

10.3. Refund of Processing Fees

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

11. LOANS PAYABLE

This account represents the Short-term Loan Line of P2.20 billion with the Land Bank of the Philippines (LBP) in the amount of P1.70 billion and with the Rizal Commercial Banking Corporation (RCBC) in the amount of P500.000 million as at December 31, 2013. The credit facility with LBP was initially granted on July 17, 2008 for P200 million and gradually increased to P1.95 billion on February 10, 2010. While the RCBC line was initially availed on January 15, 2010 for P150 million and increased to P500 million on September 9, 2011.

12. INTEREST PAYABLE

This account represents the interest obligation of the Corporation in connection with the Short-term loan line with the LBP and RCBC.

Interest computation	Loan Amount	Interest Obligation 2013	Loan Amount	Interest Obligation 2012
1. Land Bank of the Philippines				
a. Three - month PDST-F plus spread, subject to monthly repricing	350,000,000	790,611	600,000,000	1,712,000
b. Three - month PDST-F plus spread, subject to monthly repricing with Republic of the Philippines (ROP) Guarantee	1,350,000,000	5,050,400	1,350,000,000	5,003,892
2. Rizal Commercial and Banking Corporation				
a. One - month PDST-F plus spread, subject to monthly repricing	500,000,000	642,708	100,000,000	68,361
	2,200,000,000	6,483,719	2,050,000,000	6,784,253

13. ACCRUED EXPENSES

This account represents expenditures already incurred but remained unpaid as of balance sheet date. As at December 31, 2013, accrued expenses totaled P27.60 million, of which, P7.86 million was set-up for prior years and P19.74 million was set-up during the current year. As at December 31, 2012, accrued expenses totaled P13.35 million.

	2013	2012 (As restated)
Personal Services	22,319,143	8,285,203
Maintenance andother operating expenses		
Legal fees and other services	1,470,000	642,000
Janitorial services	708,211	1,135,876
Electricity	411,229	368,910
Meetings and conferences	207,321	740,537
Repairs and maintenance-EFF-IT	-	1,509,816
Others	2,486,485	669,747
	27,602,389	13,352,089

14. INCOME TAX PAYABLE

This account represents the 30 per cent corporate income tax for the taxable year 2013 amounting to P70.02 million less the application of payments on the first to third quarter income tax returns amounting to P57.79 million leaving a balance of P12.23 million representing CY 2013 last quarter corporate income tax liability due and payable on April 15, 2014.

15. UNEARNED INCOME

This account consists of the following:

	2013	2012 (As restated)
Current		
Guarantee fees	**118,741,623**	124,357,268
Interest income –lending	**3,967,021**	6,030,602
Receivable from compromise agreements	**6,735,125**	
Deferred interest, penalties and other charges on which acquired assets on default accounts were applied	**87,509**	87,510
Subtotal	**129,531,278**	130,475,380
Non-current		
Installment sales	**-**	750,000
Receivable from compromise agreements	**14,900,000**	
Capitalized interest on restructured receivables	**-**	2,405,967
Deferred interest, penalties and other charges	**3,016,263**	331,007
Subtotal	**17,916,263**	3,486,974
	147,447,541	133,962,354

This account represents guarantee fees and interest income collected in advance from various accounts under the Guarantee and Lending Program, 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.

16. MISCELLANEOUS PAYABLES

This account consists of the following:

	2013	2012 (As restated)
Client's deposit	**4,906,342**	4,530,858
Miscellaneous deposits	**2,596,510**	6,320,982
Trust liabilities	**1,216,946**	1,216,946
Reinsurance premium payable	**46,360**	46,360
Other current liabilities	**14,988,890**	16,188,698
	23,755,048	28,303,844

16.1. Client's deposit

This account covers excess guarantee fees and advance collection of credit insurance premiums, interest and penalties collected from clients under the various program offerings of the Corporation which shall be applied to future fees due.

16.2. Trust liabilities

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

16.3. Reinsurance premium payable

This account represents the share of Compagnie Francaise D' Assurance Pour Le Commerce Exterieur's (COFACE) in the gross insurance premium by virtue of the Reinsurance Agreement.

16.4. Miscellaneous deposit

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

16.5. Other current liabilities

This account consists of the following:

	2013	2012 (As restated)
Bureau of Internal Revenue	**8,880,664**	9,022,094
Provident fund - contributions and loans payable	**1,397,230**	1,520,666
Withholding tax - employees	**1,362,963**	2,569,182
Accounts payable - trade	**1,253,553**	965,150
Government Service Insurance System	**1,217,628**	1,204,436
Accounts payable - non-trade	**693,784**	729,801
Home Development Mutual Fund	**108,187**	105,463
Philippine Health Insurance Corporation	**74,881**	71,906
	14,988,890	16,188,698

17. EQUITY

17.1. Capital Stock

On January 11, 1985, Presidential Decree No. 1962, further amending Section 7 of Presidential Decree No. 550, as amended by Presidential Decree 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 Republic of the Philippines.

As at December 31, 2013, the paid-in capital amounts to P5.462 billion, of which, P570 million was received last November 4, 2011 from the FY 2011 Disbursement Acceleration Program (DAP) of the National Government under Notice of Cash Allocation (NCA) No. NCA-BMB-F-11-0019720 and Special Allotment Release Order (SARO) No. F-11-01563 dated October 24, 2011 for the Guarantee and Lending Programs of the Corporation.

17.2. 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 Administrative Order No. 64 dated March 24, 1988 and Deed of Transfer dated March 08, 1989.

17.3. Comprehensive Income

Fair value adjustment – available for sale

This account represents the net effect of unrealized gain/loss on available-for-sale (AFS) investment portfolio of the Corporation. Accordingly, the adjusted fair value of the AFS is presented as a separate item under equity.

18. GUARANTEES OUTSTANDING

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

	2013	2012 (As restated)
Term Loan Guarantee Program	**-**	11,533,760
General Facility	**14,341,199,991**	14,953,510,836
	14,341,199,991	14,965,044,596

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

As at 31 December 2013, the guaranteed principal obligations of P14.34 billion under the contingent liability account is exclusive of the P934.171 million representing the amount of estimated interest covered by TIDCORP's guarantee corresponding to the guaranteed principal obligations of five accounts as at December 31, 2013 amounting to P4.268 billion as provided in the Guarantee Agreement with the lenders and borrowers.

19. ITEMS HELD AS COLLATERAL

This account represents loan and guarantee collaterals in the form of land certificates of titles, chattels, and other securities to ensure repayment by borrowers/clients which were assigned P1.00 per item pursuant to the Financial Reporting Package of BSP.

20. INCOME

This account consists of the following:

	2013	2012 (As restated)
Operating Income		
Guarantee, commitment and processing fees	**230,833,382**	251,038,163
Interest and penalties	**135,688,175**	116,161,099
Interest on investments and deposits	**75,201,839**	101,553,954
Gain on sale of investment	**77,757,393**	53,840,106
Miscellaneous income	**10,925,255**	29,518,082
Gain on sale of acquired assets	**2,098,440**	14,237
Insurance premium and commission	**682,332**	474,538
Subtotal	**533,186,816**	552,600,179
Other Income		
Gain on sale of building	**46,976,416**	-
Foreign exchange gains	**54,919**	(1,619,562)
Gain on retirement of equipment	**-**	(569,755)
Gain on sale of equipment	**-**	214,700
Subtotal	**47,031,335**	(1,974,617)
	580,218,151	550,625,562

20.1. Interest and penalties

This account represents interest and penalty charges earned on current loans receivable, restructured loans, receivables from subrogated claims and other receivables.

20.2. Gain on sale of investment

This account represents the trading gains on the sale of Available-for-sale (AFS) investment portfolio of the Corporation.

20.3. Foreign exchange gains (losses)

This account 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 balance sheet date using the Philippine Dealing System Weighted Average Rate (PDSWAR) as of last working day of the month/closing date. For the period ended December 31, 2013, the closing rate used was P44.414/US$1, representing the PDSWAR as of last working day of the period.

20.4. Miscellaneous income

This represents processing fees from the guarantee and lending programs, pre-termination fees from a guaranteed account, interest and penalty charges earned 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:

	2013	2012 (As restated)
Salaries and wages	**52,191,140**	54,360,933
Other benefits	**17,077,076**	18,016,782
Provident fund contribution	**13,053,295**	13,510,292
Bonus and incentives	**12,554,222**	16,636,103
Terminal pay	**7,659,080**	2,012,818
GSIS contribution	**6,394,143**	6,657,210
Hospitalization	**1,702,373**	1,884,613
PhilHealth contribution	**418,250**	445,700
Pag-Ibig fund contribution	**129,408**	134,900
Overtime pay	**100,538**	198,661
Net	**111,279,525**	113,858,012

22. INTEREST AND FINANCIAL CHARGES

This pertains to paid and/or accrued interests on loans payable of TIDCORP to various creditor-banks as well as guarantee fees due to the National Government (NG) relative to NG guarantee on the Corporation's borrowings.

23. FINAL TAX

This account represents the final tax on interest income from investments and deposits at the rate of 20 per cent on peso-denominated placements and at 7.50 per cent on foreign currency deposits.

	2013	2012
Interest on investments and deposits	**75,201,839**	101,553,954
Final tax	**(15,038,263)**	(20,297,680)
Net	**60,163,576**	81,256,274

24. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

On December 28, 2010, Revenue Regulation (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 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.

Below are the following Taxes paid by the Corporation:

	Nature of Taxes	Amount (In Php Million)
a.	Documentary stamp taxes on Loan Instruments	11.509
b.	Withholding taxes paid/accrued	
	b.1 Taxes on compensation and benefits	9.452
	b.2 Creditable withholding	9.517
	b.3 Final withholding taxes	21.179
c.	Local and national taxes	
	c.1 Income tax	57.793
	c.2 Gross receipts tax	24.664
	c.3 Real property tax	.204
	c.4 Municipal tax	.011
		134.329

25. RECLASSIFICATION OF ACCOUNTS

Several accounts in the 2012 financial statements were reclassified to conform to the 2013 presentation.

CY 2012 Adjustments	Debit	Credit
Account receivable – client (Short-term)	**1,216,918**	**-**
Interest receivable- loans	**77,160**	**-**
Intangible assets	**11,746,346**	**-**
Office equipment	**-**	**7,617,368**
Office equipment- IT		**39,767,512**
Accumulated depreciation- office equipment	**7,191,740**	**-**
Accumulated depreciation- office equipment- IT	**27,676,545**	**-**
Accumulated impairment loss- office equipment	**114,862**	**-**
Accumulated impairment loss- office equipment- IT	**85,632**	**-**
Other assets – arts	**2,351,500**	**-**
Allowance for doubtful accounts – receivable	**32,810**	**-**
Pari-passu payable – banks	**-**	**6,583,229**
Accounts payable – client	**-**	**100,000**
Accounts payable – others	**-**	**5,984**
Accrued expenses – MOOE	**1,998,234**	**-**
Accrued salaries and allowance	**10,761,913**	**-**
Deferred credits – MCIT	**-**	**5,138,950**
GRT payable	**-**	**5,000**
Clients deposit	**2,377**	**-**
Retained Earnings	**9,075,557**	**-**
Miscellaneous income – filing, amendment	**100,000**	**-**
Miscellaneous income – interest (Remedial)	**38,571**	**-**
Interest income- direct lending	**-**	**77,160**
Gain/Loss on retirement of equipment	**569,755**	**-**
Basic salary	**-**	**2,778,244**
Other allowance – PERA	**-**	**666,000**
Bonus expense – 13th Month	**-**	**461,181**
Bonus expense – PIB	**-**	**5,300,000**
Other allowance – Amelioration	**-**	**230,599**
Life and retirement insurance	**-**	**332,052**
Philhealthcontributions	**-**	**9,600**
Provident Fund contributions	**-**	**691,778**
Terminal pay (monetization of leave credits)	**-**	**292,459**
Office supplies expense	**-**	**9,100**
Other supplies expense	**122,808**	**-**
Water	**-**	**16,882**
Postage and deliveries	**-**	**56,458**
Promotional and marketing expenses	**-**	**774,800**
Licenses and taxes	**-**	**5,509**
Licenses and taxes – GRT	**6,928**	**-**
Insurance expense	**-**	**50,755**
Meetings and conferences	**-**	**62,068**
Rent/Lease expense	**-**	**35,923**
Amortization expense	**1,675,113**	**-**
Depreciation expense		**1,675,113**
Service facility fee	**124,873**	**-**
Credit investigation – marketing	**-**	**82,309**
Administration expense	**-**	**1,290,300**
Repairs and maintenance – transportation	**-**	**670**
Repairs and maintenance – office equipment	**-**	**4,290**
Legal fees and other services	**-**	**600,000**
Audit fees and services – salaries	**-**	**20,976**
General /Janitorial services	**-**	**75,751**
Dues and subscription	**-**	**12,500**
Fuel oil and lubricants	**-**	**51,712**
Provision for doubtful account	**-**	**82,610**
Miscellaneous expense	**-**	**4,800**
	74,969,642	**74,969,642**

26. EVENTS AFTER THE BALANCE SHEET DATE

On January 29, 2014, the Board of Directors approved the declaration of dividends to the National Government in the amount P91.83 million.

On January 28, 2014, TIDCORP and Marcventures Holding, Inc. (MHI) signed off an Absolute Deed of Sale covering the office spaces with an area of 966.98 square meter at the 4th floor of the Citicenter and three parking slots, at a selling price of P68.00 million, which MHI fully settled on the same day.

As at March 31, 2014, an account in the amount of P80.0 million under the Lending Program was downgraded to doubtful account due to non-payment of the required amortizations due. From the month of March to April 2014, the total amount unpaid is P37.930 million. The required valuation reserves will be booked in CY 2014, while the necessary remedial measures are now being undertaken.

27. RISK MANAGEMENT

Risk is inherent in the Corporation's activities but it is managed through a process of ongoing identification, assessment/measurement, control and monitoring subject to the risk limits and management action trigger mechanism. This process of risk management is critical to the entity's continuing profitability 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 and operational risk.

The Corporation's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

27.1. Risk management structure

Board-level

(a) Board of Directors

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

(b) Risk Oversight Committee (ROC)

This Committee shall be responsible for the following:

1. 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;
2. 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 PhilEXIM, especially at the Board and management level; and
3. Providing quarterly reporting and updating the Board on key risk management issues as well as ad hoc reporting and evaluation on investment proposals.

(c) Credit Committee (CreCom)

This Committee shall be responsible for the following:

1. Ensure that the credit policies set by the Board are implemented;
2. 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;
3. 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;
4. 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;
5. 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;

6. Advise on any matter of significance relating to credit including recommendations to the Board of changes in guarantee and direct lending policies or directions;

7. 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

8. Perform such other functions that the Board may delegate from time to time or as may be required by law.

(d) Audit Committee

This committee shall be responsible for the following:

1. Overseeing, monitoring and evaluating the adequacy and effectiveness of PhilEXIM's internal control system, engage and provide oversight of the Corporation's internal and external auditors, and coordinate with the Commission on Audit (COA);

2. 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;

3. 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;

4. 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

5. 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.

Management Level

(a) 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-balance sheet commitments, through the following:

a.1 Know the market trends and developments;
a.2 Monitor the liquidity needs and funding sources of TIDCORP;
a.3 Establish guidelines for the funding mix of TIDCORP;
a.4 Establish limits for financial risk-taking and confirmation of lending rates to existing clients;
a.5 Monitor plans and status for capital build-up; and
a.6 Follow-up developments and cash flows from collection of past due obligations and Asset Disposal Program.

(b) 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 agency's objectives as to profitability, service efficiency and product delivery.

(c) Office of the Chief Risk Officer

The Chief Risk Officer shall be responsible for the following:

1. Integrate risk management into the business activities of the Corporation;
2. 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.

3. Advise the Board of Directors in areas of risk exposures and risk management activities of the Corporation.

(d) Internal Audit Office (IAO)

Risk management processes throughout the Corporation are audited by the internal audit office that examines both the adequacy of the procedures and compliance with procedures. Internal Audit discusses the results of the assessments with management and reports its findings and recommendations to the Audit Committee and the Board of Directors.

The IAO shall be responsible for the following:

1. Examine and evaluate the adequacy and effectiveness of the internal control systems at various operations and activities of the Corporation;

2. Review compliance with legal and regulatory requirements and approved Corporation's policies and procedures;

3. Examine the quality of credit portfolio and periodically updates Management on the status thereof;

4. Appraise performance and economical and efficient use of corporate resources;

5. Recommend measures to safeguard the assets of the Corporation;

6. 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

7. 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 potential that a guaranteed obligor or direct lending client of the TODCORP 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 Agency's guarantees and direct lending business, comprising of off-balance sheet commitments and on-balance sheet 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 Agency'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 Board of Directors intends for the company 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:
- Survivable Liquidity Stress Level
- Activation and Crisis Management Process
- Senior Management Crisis Committee
- Contingency Funding Strategy
- Communications
- Management Information System Requirements
- Other Specific Crisis Management Preparation Requirements

As a result of the shift by the Corporation from Held-to-maturity (HTM) to Available-for-sale (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 Agency's balance sheet positions 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 Agency'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 Agency.

In order to address this, Management, in the weekly meeting of the Asset Liability Committee (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 the following:

1. Products, systems and process development;
2. Business continuity planning; and
3. Audits

   Control and mitigation of operational risks are undertaken through the following:

1. Control mitigation activities
   a. Segregation of duties
   b. Clear documentation of procedures
   c. Physical assets and information access control
   d. Verification and reconciliation

2. 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.

A number of export credit agencies 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 export credit agency in Asia and explore possible areas for further regional cooperation.

PhilEXIM is a 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 various fora and seminars the latter. 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. The idea of an association of development bankers originated in Manila in 1969 at the Fourth Regional Conference of Development Financing Institutions of Asia and the Pacific under the auspices of the Asian Development Bank (ADB).

PhilEXIM is a six-time awardee of ADFIAP for its development pursuits (2002, 2004, 2005, 2007, 2009 and 2011).

WORLDWIDE
Alliances and Partnerships

Other Partner Financial Institutions:

MANAGEMENT Directory

OFFICE OF THE CHAIRMAN

Johanna Aleria P. Lorenzo
Vice President

Atty. Pamela Angeli M. Solis
(resigned as of May 27, 2013)
Vice President

Atty. Von Bryan C. Cuerpo
(resigned as of August 1, 2013)
Asst. Vice President

Mariana Beatriz E. Zobel de Ayala
(resigned as of November 1, 2013)
Asst. Vice President

OFFICE OF THE PRESIDENT AND CEO

Francisco S. Magsajo, Jr.
President and CEO

Elaine Rose S. Llave
Corporate Executive Officer V

Atty. Jane L. Laragan
First Senior Vice President and
Chief of Staff (concurrent capacity)

RISK MANAGEMENT GROUP

Eugenia O. Sinnung
Executive Vice President and Group Head

Armand D. Eugenio
Vice President
Risk Management and Compliance Office

Evelyn T. Villamor
Vice President
Internal Audit Office

CORPORATE STRATEGY GROUP

Atty. Florencio P. Gabriel, Jr.
Executive Vice President and Corporate Secretary

Atty. Isabelo G. Gumaru
Senior Vice President
and Chief Legal Counsel

Ian A. Briones
Vice President
Corporate Planning and Communications Department

Dynah Glady G. Nepomuceno-Bayot
Vice President
Human Resource Department

Atty. Emmanuel R. Torres
Vice President
Remedial and Asset Disposition and Collection Department

FINANCE SERVICES & INVESTMENT SECTOR

Marilou A. Medina
Senior Vice President and Sector Head

Boobie Angela A. Ocay
Vice President
Fund Management Department

ASSET MANAGEMENT SECTOR

Atty. Ma. Rosario M. Demigillo
(resigned as of April 23, 2013)
Senior Vice President and Sector Head

OPERATIONS GROUP

Federico F. Remo
Executive Vice President and Group Head

Evangeline Maura Q. Gotangco
Vice President
Credit Department

Arsenio C. De Guzman
Vice President
Loan and Cash Operations Department

Josefina R. Ricafrente
(resigned as of March 1, 2013)
Asst. Vice President
General Services Department

Estrellita N. Tesoro
Vice President
Information Technology Department

BUSINESS REVENUE GROUP

Jane U. Tambanillo
Executive Vice President and Group Head

Corporate Sector

Atty. Jane L. Laragan
First Senior Vice President and Sector Head

Rovi M. Peralta
Vice President
Account Management Department 1

Rowena C. Borja
Vice President
Account Management Department 2

SME Sector

Celso R.Gutierrez
Senior Vice President and Sector Head

Eduardo S. Angeles
Vice President
SME Department 1

J. Leah M. Garcia
Vice President
SME Department 2

Cebu Business Center

Eduardo S. Angeles
Vice President
(concurrent capacity effective
November, 2013)

PhilEXIM
PHILIPPINE EXPORT-IMPORT CREDIT AGENCY

PhilEXIM Programs:

Guarantees

- Guarantee Program for Large Accounts
- Portfolio Guarantee Program
- Guarantee Program for SMEs

Direct Lending

- Short-Term Direct Lending Program for SMEs
- Medium to Long-Term Direct Lending Program for SMEs
- Wholesale Direct Lending Program for SMEs
- Access of Small Enterprises to Sound Lending Opportunities (ASENSO)

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