BANGKO SENTRAL NG PILIPINAS
NOTES TO THE FINANCIAL STATEMENTS
(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

The Bangko Sentral ng Pilipinas (BSP) was established on 3 July 1993 as a central monetary authority of the Republic of the Philippines (ROP) pursuant to Republic Act (RA) No. 7653, otherwise known as "The New Central Bank Act". Under this Act, it shall function and operate as an independent and accountable corporate body in the discharge of its mandated responsibilities concerning money, banking and credit. It maintains the country's international reserves, performs credit operations, engages in open market operations, exercises supervision over banking institutions, operates the interbank real-time gross settlement system, acts as a banker of the government, and has the sole power and authority to issue currency. It is also responsible for the printing of banknotes and production of circulation coins. As an independent central monetary authority, it enjoys fiscal and administrative autonomy and the nature and extent of its activities and operations are guided by the performance of these functions.

The BSP Main Complex is situated at A. Mabini and P. Ocampo Streets, Manila, Philippines. It has several buildings, namely: Multi-Storey building, 5-Storey building, EDPC building, Cafetorium building, Multi-purpose building, Metropolitan Museum of Manila and BSP Money Museum, which showcases its collection of currencies.

The Security Plant Complex (SPC) which is located in Quezon City, Philippines, houses the banknote and security printing plant, and mint and gold refinery. The banknote printing plant and mint take charge of the production of currency notes and coins, respectively.

The BSP has three (3) regional offices (ROs) sited in San Fernando City, La Union; Cebu City and Davao City, and branches in nineteen (19) locations. The ROs and branches perform cash operations and gold buying operations (in 2 ROs and 2 branches).

It also owns the Philippine International Convention Center, Inc. (PICCI), a wholly owned subsidiary that manages and operates the Philippine International Convention Center, the premiere venue for meetings, exhibitions and special events.

The powers and functions of the BSP shall be exercised by the Bangko Sentral Monetary Board, hereafter referred to as the Monetary Board (MB), composed of seven (7) members appointed by the President of the Philippines for a term of six (6) years. The seven (7) members are: (a) the Governor of the Bangko Sentral, who shall be the Chairman of the MB; (b) a member of the Cabinet to be designated by the President of the Philippines; (c) five (5) members who shall come from the private sector, all of whom shall serve full-time.

The Governor is the chief executive officer of the BSP and is required to direct and supervise the operations and internal administration of the BSP. A deputy governor heads each of the BSP's operating sector as follows:

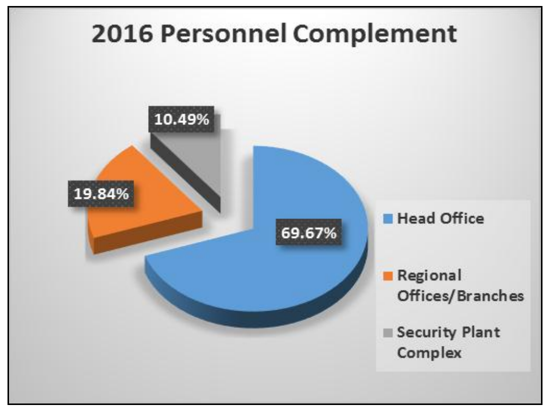
a. Monetary Stability Sector takes charge of the formulation and implementation of the BSP's monetary policy, including serving the banking needs of all banks through accepting deposits, servicing withdrawals and extending credit through the rediscounting facility.

b. Supervision and Examination Sector supervises and regulates all banks, quasi-banks and other financial institutions which under special laws are subject to BSP supervision, to promote a sound and healthy banking system.

c. Resource Management Sector serves the human, financial and physical resource needs of the BSP.

As at 31 December 2016, the BSP has a total personnel complement of 5,236 employees consisting of 4,860 regular and 376 contractual, distributed according to location, as follows:

Location	CY 2016	CY 2015	Change
Head Office	3,648	3,639	9
Regional Offices/ Branches	1,039	1,093	(54)
Security Plant Complex	549	597	(48)
Total	**5,236**	**5,329**	**(93)**



In these financial statements, the BSP is also referred to as the "Bank". The MB has approved the release of the financial statements on 29 June 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

Under Section 3 of the New Central Bank Act (RA 7653), the primary objective of the Bangko Sentral is to maintain price stability conducive to a balanced and sustainable growth of the economy. In line with this objective, the Bank's financial statements have been prepared in compliance with the provisions of RA 7653 and applicable Philippine Financial Reporting Standards (PFRSs) and Philippine Accounting Standards (PASs) as aligned with the provisions of International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs). It is the Bank's position that having considered its responsibilities in the formulation and conduct of effective monetary policy, it is appropriate to differ, in some aspects, from the adoption of relevant PASs.

In accordance with PAS 1 (Revised 2009), *Presentation of Financial Statements,* effective 1 January 2009, an entity is required to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two (2) statements: a separate income statement and a statement of comprehensive income. The income statement shall disclose income and expense recognized in profit and loss in the same way as the current version of PAS 1. The statement of comprehensive income shall disclose profit or loss for the period, plus each component of income and expense recognized outside of profit and loss classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operation). Changes in equity arising from transactions with owners are excluded from the statement of comprehensive income (e.g., dividends and capital increase). An entity would also be required to include in its set of financial statements, a statement showing its financial position (or balance sheet) at the beginning of the previous period when the entity retrospectively applies an accounting policy or makes a retrospective restatement.

Unless otherwise stated, the CY 2016 balances are prepared under the historical cost convention and/or applicable PFRS/PAS.

2.2 Cash flows

Cash and cash equivalents (CCE) are financial instruments that are highly liquid and are used in the day-to-day cash management operations of the Bank. This includes the highly liquid foreign currency financial reserve assets of the BSP and local currency financial assets that arise from the BSP's management of the National Government (NG) account. This also includes other foreign and local demand deposits with other financial institutions, revolving fund in the form of receivables from accountable BSP employees and checks and other cash items. The CCE include government short-term deposits, deposits of banks and other financial institutions which are cash liabilities of BSP, hence, are deducted therefrom.

Operating activities are the principal revenue-producing activities of the entity and other activities not considered as investing or financing.

Investing activities are those related to the acquisition and disposal of non-cash assets and non-current securities and advances and any other non-current assets.

Financing activities are those related to changes in equity and debt capital structure of the Bank including those pertaining to the cost of servicing the Bank's equity.

2.3 Consolidation

The BSP's financial statements include the accounts of the Bank and the PICCI as of 31 December 2016. Due to immateriality of the balances of the accounts of PICCI, "consolidated" was omitted from the heading of the statement. All inter-company balances are eliminated prior to consolidation.

2.4 Subsidiary

Under PAS 24, "*a party is related to an entity if, directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the entity.*"

The BSP wholly owns the PICCI. Its Board of Directors is composed of two (2) members from the BSP, the Governor as Chairman and the Deputy Governor, Resource Management Sector as Vice-Chairman and five (5) members from private sector. Its principal officers are the general manager, the deputy manager and the directors of departments performing support functions and receiving basic salaries and other benefits. As stipulated under a management contract, the PICCI is tasked to manage and administer the business affairs of the Philippine International Convention Center (PICC) and is entitled to a management fee as compensation equivalent to three per cent (3%) of gross income payable quarterly and five per cent (5%) of net income sourced from rental facilities, admission fees, commissions and miscellaneous income except interest income from PICCI's share in investments of government securities. Said management fee is used to undertake activities for the benefit and welfare of PICCI employees. The BSP provides PICCI its annual budget for capital expenditures and operational expenses. Its approved budget is accounted under "Due from PICCI" for capital expenditures and under "Advances to PICCI" for operational expenses.

In accordance with the provisions of PAS 27, the "Investment in PICCI" account was created to reclassify the PHP50.00 million investment of the BSP in PICCI consisting of 500 shares of stock with par value of PHP100 thousand which was previously lodged under the "Stocks and Other Securities" account. The balance sheet and income statement accounts of PICCI are consolidated line by line of like items with BSP. Income and expense accounts of dissimilar nature with BSP's are consolidated under two summary accounts, namely: "Miscellaneous Income-PICCI" and "Miscellaneous Expenses-PICCI", respectively. BSP recognizes income only upon receipt of dividends from PICCI.

2.5 Presentation and recognition

The BSP presents financial assets, liabilities and derivative instruments, and the related income and expense accounts by distinguishing foreign and local currency accounts. These are reported separately for better presentation of the BSP's financial position.

Unless otherwise stated, all financial assets and liabilities are recognized in the balance sheet on a settlement date basis.

2.6 Currency of presentation

All amounts are expressed in Philippine Peso (PHP), the domestic currency, unless specifically disclosed. The currency symbol "PHP" is used in the financial statements to conform to universal currency symbols.

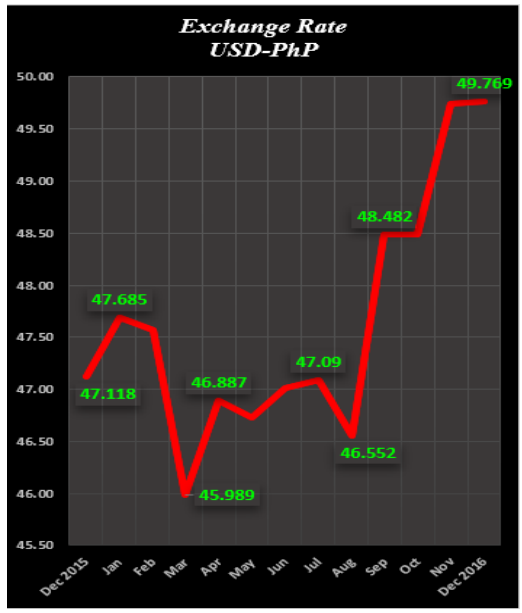
2.7 Foreign currency translation

Transactions in foreign currency are translated to Philippine pesos using exchange rates applying on the value at settlement date of the transaction. For reporting purposes, foreign currency assets and liabilities are translated to the local currency equivalent using the weighted average exchange rate (WAER) at reporting date. Third currency assets and liabilities are first converted to United States dollars (USD) then translated to local currency equivalent.

The WAER at reporting date was used by BSP in translating foreign currency denominated assets and liabilities, instead of the closing rate as prescribed in paragraph 23 of PAS 21, since the WAER is a more representative rate as it captures the results of all done transactions for the day in the Philippine Dealing System (PDS) rather than a closing rate which is based on a single/last transaction. The use of WAER increased the foreign denominated assets and liabilities by PHP3.877 billion and PHP0.093 billion, respectively.

Exchange rates used are based on the published BSP Reference Exchange Rate Bulletin. The Philippine peso versus the US dollar depreciated by PHP2.651 or 5.63%, from PHP47.118 as of end December 2015 to PHP49.769 as of end December 2016. The end-December 2016 rate of PHP49.769 was used in the financial statements. Following are the prevailing month-end weighted average exchange rates in 2016.

For the Month Ended	Exchange Rate USD-PHP	Change
2016		
December	49.769	0.022
November	49.747	1.262
October	48.485	0.003
September	48.482	1.930
August	46.552	(0.538)
July	47.090	0.083
June	47.007	0.283
May	46.724	(0.163)
April	46.887	0.898
March	45.989	(1.579)
February	47.568	(0.117)
January	47.685	0.567
2015		
December	47.118	
AVERAGE	**47.665**	



2.8 Recognition of income and expenses

2.8.1 Interest income and expenses

The Bank follows the accrual basis of accounting. Interest income and expenses are recognized in the income statement for all instruments measured at fair market value/amortized cost. Interests are accrued monthly. Likewise, discounts/premiums are amortized monthly using the effective interest rate method. The accrued interests are booked contra a receivable (income)/ payable (expense) account while the amortized discounts/premiums are capitalized. Reversal of the previous month's accruals and amortization of discounts/premiums is done simultaneously with the setting up of accruals and amortization of discounts/premiums as of the current month, except for the Department of Loans and Credit (DLC) and Asset Management Department (AMD), where only the adjustments to the previous month's accruals and amortizations are booked for the current month.

Payment of interest due on demand deposits of banks maintained with the Bank was discontinued effective 6 April 2012 per MB approval. Interests on deposit accounts of the NG (Regular and Other-Special accounts) with the BSP are credited quarterly to the regular demand deposit account (DDA) of TOP-Treasury Single Account (TSA) except for TOP-Special Account No. 2 under Monetary Board Resolution (MBR) No. 560, interests of which are also credited semi-annually to the regular DDA of TOP-TSA.

2.8.2 Fee income

Banks and non-banks institutions, which are subject to supervision and examination by the BSP, pay an annual supervisory fee (ASF) in an amount equivalent to a certain percentage of their preceding year's average net assessable assets. The ASF shall be collected through the Philippine Payment Settlement System (PhilPaSS) on the specified date referred to in the billing notice sent by the Supervisory Data Center (SDC). On the other hand, Offshore Banking Unit's annual fees are collected by way of wire transfer through the Treasury Department (TD). Likewise, these entities pay penalties in violation of BSP's directives under the Manual of Regulations for Banks and Non-Banks Financial Institutions (MORB/MORNBFI) as well as processing fees for the establishment of bank branches, registration fees of pawnshops, accreditation of banks to engage in capital markets, trust activities and similar services. The collection of penalties shall be fifteen (15) days from the date of receipt of the billing notice, by debiting the bank's demand deposit account (DDA) maintained with the BSP while processing fees, registration fees and other similar fees shall be debited directly against bank's DDA upon approval.

Further, transaction fees related to the use of the BSP's payments system are recognized on value date and directly charged against the bank's DDAs maintained with the BSP.

2.8.3 Price and foreign exchange gains and losses

BSP complies with the requirements of PAS 21 and 39 with regard to the reclassification, marking to market and revaluation of the financial assets, liabilities and derivative instruments but not with the provisions in the booking of the unrealized and realized gains or losses due to change in price and exchange rates.

BSP's practice recognizes unrealized gains or losses in accordance with Section 45 of RA 7653 where change in price and exchange rates of financial assets, liabilities and derivative instruments are booked under "Revaluation of International Reserves" (RIR) account, either as asset (if loss) or liability (if gain). Reversal of the previous month's marking to market and revaluation is done simultaneously with the setting up of the current month's marking to market and revaluation as of the current month.

For change in price, realized gains or losses are recognized upon sale of gold and foreign or domestic securities. On the other hand, as approved by the MB effective CY 2010, gains or losses due to changes in exchange rates are realized only when the foreign currency is repatriated to local currency or the foreign currency is used to pay foreign obligations, or upon maturity of an FX forward or option contract involving the Philippine peso. FX gains or losses arising from the sale of third currencies to USD or vice versa and re-investments shall continue to be treated as unrealized FX gains or losses since the BSP is still exposed to exchange rate fluctuations. This practice of recognizing realized gains/losses on FX rate fluctuation is generally the industry practice of other central banks.

The realized gains or losses arising from change in price and exchange rates are presented in the income statement under the accounts “Trading Gains/ (Losses)” and “Gains/ (Losses) on Fluctuation in FX Rates”, respectively.

2.9 Financial assets

The Bank classifies its financial assets in the following categories: available-for-sale, held-to-maturity, and loans and other receivables, in compliance with PAS 39 (Recognition and Measurement) as approved by the MB under its MBR No. 122 dated 29 January 2010.

2.9.1 Available-for-sale

Available-for-sale (AFS) financial assets include gold and foreign and local investments denominated in foreign currency. Domestic securities held by the BSP are also classified as AFS as they may be sold in response to the needs for liquidity in the exercise of its functions under the Act.

AFS financial assets (except gold) are initially recognized at cost in USD and subsequently carried at fair values. The fair values of the internally and externally managed portfolios and investments in Asian Bond Fund (ABF) and Inflation Linked Fund (ILF) are based on current market prices provided by the custodians at balance sheet date. The values of financial instruments that are not traded in an active market are determined by using interpolated deposit rates or valuation techniques commonly supported by market participants. Change in prices is computed as the difference between the current market price and the amortized price while the change in exchange rates is the difference between the current exchange rates and the historical moving average exchange rates.

Gold is initially recognized at cost in USD and translated to the local currency using the WAER at reporting date. Change in price is calculated as the difference between the current market price against the historical moving average price while change in exchange rate is the difference between current exchange rate and historical moving average exchange rate. Gold swaps with non-central banks are treated as collateralized loans in which the foreign currency proceeds are added to international reserves with a corresponding foreign currency liability recognized. Location swap costs on the transfer of gold in bullion vault to foreign financial institutions (FFIs) are capitalized and form part of the cost of gold with FFIs.

Consistent with the recognition of unrealized gains or losses arising from the changes in the exchange rates (as provided in Section 45 of RA 7653), unrealized gains or losses arising from changes in market values of foreign currency denominated financial assets are also recognized in the corresponding revaluation account in the balance sheet. For domestic securities, changes in prices are recognized in the equity section. Financial assets are derecognized when the right to receive cash flows from the investments have expired or have been transferred and the BSP has relinquished all the risks and rewards of ownership. Gains or losses arising from de-recognition or impairment is recognized in the income statement.

2.9.2 Held-to-maturity

Held-to-maturity (HTM) securities are non-derivative financial assets with fixed or determinable payments and fixed maturity which the Bank has the positive intention and ability to hold to maturity. HTM securities are carried at amortized cost using effective interest rate method.

These HTM securities are revalued at month-end to its current exchange rate and the unrealized gains or losses due to change in exchange rate are booked in the revaluation account in the Balance Sheet.

2.9.3 Loans and receivables

Loans and receivables consist of receivables from banks and deposit insurer, Philippine Deposit Insurance Corporation (PDIC), advances to the NG, notes receivable from restructured loan accounts, sales contracts receivable, accrued interest receivable, and accounts receivable.

Loans and receivables are stated at the outstanding balance, reduced by unearned discounts and allowance for probable losses. Unearned discounts are amortized or interest is accrued monthly (except for those considered past due) and recognized in the income statement. Past due loans are not reclassified as current until interest and principal payments are updated or the receivables are restructured and future payments appear assured.

Under PAS 39, impairment is recognized if there is objective evidence that an impairment loss on loans has been incurred.

For loans booked by the DLC, impairment loss is provided when there is objective evidence that the amount due is not collectible pursuant to the regulations set forth under PAS 39. The amount of the impairment loss is determined as the difference between the asset's original or carrying amount and the estimated recoverable amount.

The impairment loss provision is reviewed semi-annually to determine the collectability of the loans and receivables accounts, and is accordingly adjusted when payments are received, either in cash, dacion en pago or through foreclosure of the underlying collaterals; or when the loans of the end-user borrowers are restructured; or when there is an indication that the impairment loss previously recognized no longer exists based on available facts and circumstances affecting the collectability of the loan.

However, in view of the difficulty in identifying a single, discrete event that may cause impairment, the carrying amount of loans and receivables is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement, as applicable.

When a loan is determined as uncollectible, it is written-off against the related allowance for loan impairment. A loan is written-off when a 100 per cent (100%) allowance had been set up, no repayments were made and all the required collection procedures had been undertaken. All write-offs are authorized by the MB. Subsequent recoveries of amounts previously written-off are recognized directly as income.

Past due banking fees and penalties of more than twelve (12) and twenty-four (24) months are provided with an allowance for doubtful accounts of fifty per cent (50%) and one hundred per cent (100%), respectively.

2.10 Acquired assets held for sale

These are the acquired assets readily available for disposition during the year. Bank policies on the valuation of these assets are the same with the investment property. See Note 2.11.

Expenditures such as repairs and maintenance are charged against operations in the year in which the costs are incurred.

2.11 Investment property

These are generally land and buildings acquired by the BSP either through foreclosure (legal proceedings initiated by the Bank to acquire the collateral securing the loan of the defaulting bank) or dacion en pago in settlement of loans and advances of defaulting banks, or assets acquired through the implementation of an execution of attachment of real properties in settlement of the BSP's deficiency claims against defaulting banks (legal proceedings initiated by the Bank in case there are still deficiency claims after all the underlying collaterals of the borrower-bank were judicially/extra judicially acquired by the BSP). These assets are being held until such time that these are readily available for disposition and are reclassified to acquired assets held for sale.

Investment properties acquired through foreclosure are booked at the amount indicated in the Certificate of Sale. The amount recovered (equivalent to the BSP bid price) is applied first to foreclosure expenses then to liquidated damages, accrued interest, interest income and principal, in that order of priority. After exhaustion of the principal and, if there may be any remaining balance from the proceeds of the foreclosure sale, said balance is applied to other obligations incurred by the BSP (e.g., consolidation expenses) as stipulated and agreed upon in the loan documents executed by the borrower-banks in favor of the BSP.

Investment properties are not depreciated. However, periodic appraisal of properties available for sale is conducted by appraisal companies acceptable to the BSP. Market value of all other properties that are not yet available for sale is determined through table appraisal. An allowance for market decline is set up when the book value of an asset exceeds its most recent appraised value. The use of recent appraised value in recognizing impairment is an alternative compliance to PAS 36 - Impairment of Asset, in the absence of a more realistic basis.

2.12 Bank premises, furniture, fixtures, and equipment

Land and buildings acquired from the then Central Bank of the Philippines (CBP) on 3 July 1993 are stated at appraised value less accumulated depreciation in accordance with the principle adopted on the transfer of assets and liabilities of the then CBP to the BSP. Subsequent acquisitions are stated at acquisition cost less accumulated depreciation.

The initial cost of bank premises, furniture, fixtures and equipment (BPFFE) consists of purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance are charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of BPFFE beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are derecognized, and any resulting gain or loss is carried in the income statement. Depreciation is computed using the straight-line method based on the following expected useful life of depreciable assets, after deduction of 10 per cent (10%) residual value:

Asset Group	**Estimated Useful Life (No of Years)**
Buildings-BSP Constructed	30
Buildings-BSP-Acquired or Purchased	25
Property Improvements (building, land, leasehold and office)	10
Plant Machinery and Equipment - Minting	10
Computer Hardware	5
Furniture and Equipment	5
Armored Vehicles	10
Motor Vehicles	7

Construction-in-progress, which covers BSP-owned buildings and property improvements under construction, is valued at cost. This includes site preparation, materials, labor, professional/consultancy fees and other cost directly attributable to the construction of properties. Transfer of account balances from “Building Construction” and “Building Improvements In-Progress” to “Buildings” and “Building Improvements” accounts, respectively, is made upon payment of ninety-five per cent (95%) accomplishment of the contractor/s and receipt of recommendation from the proponent department/office to reclassify the account. The unpaid balance of the project cost is directly booked to proper account upon presentation and/or settlement of final billing and notice of the department/office concerned. Depreciation starts on the following month upon transfer of the construction cost to the appropriate property account.

Assets acquired through import Letters of Credit (L/Cs) are recognized as “In-transit” account contra a liability account upon receipt of advice/proof of loading/shipment from suppliers and reclassified to the appropriate asset account upon actual receipt of the imported asset. Any exchange differential between the recognition of the liabilities and actual payment upon L/C negotiation is treated as gain or loss on fluctuations in FX rates. Customs duties, brokerage fees and other related expenses (when not exempt) are capitalized.

2.13 Intangible assets

Under PAS 38, intangible asset is an identifiable non-monetary asset without physical substance. The identifiable criterion is met when the intangible asset is separable (when it can be sold, transferred, licensed, rented or exchanged) or when it arises from contractual or other legal rights.

“Computer network and application systems” account is carried at cost less any accumulated amortization computed using the straight line method based on estimated useful life of five (5) years.

2.14 Leases

Under PAS 17, a lease is classified as an operating lease when it does not transfer substantially all the risks and rewards incidental to ownership. BSP engages in operating lease either as lessor or lessee based on a lease agreement. Lease rentals received/paid in connection with the operating lease are recognized in the income statement. When BSP is the lessee, security deposits paid to the lessor are recognized in the balance sheet as other assets. Improvements made on the leased property are capitalized and booked under leasehold improvement account and amortized for a period of five (5) years.

2.15 Inventories

Under PAS 2, inventories are assets in the form of materials or supplies to be consumed in the production process or in the rendering of services. Raw materials acquired by the BSP through import LCs are recognized as “Asset in transit” account upon receipt of notice of loading/shipment from the suppliers. The raw materials are booked based on prevailing exchange rate at the time of shipment/loading if Incoterms is CFR/CPT (Cost Freight/Cost Paid TO) and based on prevailing exchange rate at the time of acceptance by end-user department if Incoterms is DAP/DDP (Delivery at Place)/(Delivery Duties Paid). Booking to inventory account is made upon actual receipt of shipment including costs incurred in bringing the inventory to BSP premises. Issuances are valued based on moving average method.

Finished currency notes and coins are recognized as “*finished goods”* once these are packed and ready for delivery and as “*currency inventory”* upon physical transfer from SPC to Currency Issue and Integrity Office (CIIO) of Currency Management Sub-Sector (CMSS). Currency production expenses for imported and in-house produced notes and in-house produced coins are recognized in the BSP income statement only upon issuance of notes and coins from CIIO to Cash Department (CD), CMSS and Regional Monetary Affairs Sub-Sector (RMASS), for circulation to the banks and public. BSP values the currency inventory and issuances based on moving average method.

2.16 Numismatic collections, artworks, paintings and sculptures

These are recorded at historical cost except those received as donations that are initially booked at nominal value. Pending completion of the property appraisal, the property self-insurance based on acquisition cost was augmented in prior years by increasing capital reserves.

2.17 Financial liabilities

Financial liabilities denominated in foreign currency comprise short-term foreign currency deposits of banks, the NG and other government entities, and short and long-term borrowings of the BSP. These liabilities are initially recognized at cost and subsequently converted at current value using WAER at reporting date. The difference is recognized in the balance sheet as an unrealized exchange rate revaluation. Interest is accrued monthly and recognized in the income statement.

Financial liabilities denominated in local currency refer to deposits of the NG, banks and other financial institutions. All banks and quasi-banks operating in the country are required to maintain reserves against their deposit and/or deposit substitute liabilities. The reserve position of each bank or quasi-bank is calculated daily on the basis of the amount of the institution's reserves at the close of business for the day and the amount of its liability accounts against which reserves are required to be maintained. No interest was paid on the deposits of banks and other financial institutions after 05 April 2012, in pursuant to MBR `No. 1924 dated 27 December 2011 and Circular No. 753 dated 29 March 2012. On the other hand, the interest for the demand deposit accounts of the NG is accrued monthly and credited quarterly, except for the TOP-Special Account No. 2 which is credited semi-annually to the Treasure of the Philippines-Treasury Single Account (TOP-TSA).

As part of the BSP mandate to siphon excess liquidity and slow down growth of money supply, the BSP encouraged trust departments of banks to deposit their funds with the BSP through the "Special Deposit Account" (SDA) facility.

On 3 June 2016, the BSP formally adopted an interest rate corridor (IRC) system as a framework for conducting its monetary operations. The IRC is a system for guiding short-term market interest rates towards the central bank (CB) target/policy rate. It consists of a rate at which the CB lends to banks (typically an overnight lending rate) and a rate at which it takes deposits from them (deposit rate). In a standard corridor, the lending rate will be above the CB target/policy rate (thereby forming an upper bound for short-term market rates), and the deposit rate will be below the CB rate, thereby forming the lower bound. The IRC system is intended to help ensure that the money market interest rates move within a reasonably close range around the BSP's policy rate.

With the adoption of the IRC, the RP facility was replaced by a standing overnight lending facility (OLF); the RRP facility was transformed into an overnight RRP (RRP-Onite) which was offered at a fixed rate equivalent to the policy rate; and the SDA term facility was replaced by a standing overnight deposit facility (ODF) and the auction-based Term Deposit Facility (TDF).

2.18 Derivative instruments

The BSP engages in forwards, swaps, gold options and futures. Derivatives are not designated as hedges. In line with PAS 39, derivative instruments are recognized at fair value on the date at which the derivative contract is entered into and are subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques.

For forwards, a contingent asset/liability is recognized at spot date. At month-end, the forward contract is marked-to-market and the unrealized gains or losses due to change in exchange rates are booked under the RIR account. At maturity date, the contingent asset/liability is reversed and the purchase/sale of the currency is recorded. Realized gains or losses due to fluctuation in FX rates, accounted as the difference between the spot rate on forward date and the contracted forward rate, is recognized in the income statement. The RIR account is reversed at month-end.

For swaps at spot date, a purchase/sale of the currency (USD for PHP or vice versa) is recorded together with the contingent asset/liability. Gains or losses realized due to fluctuation in FX rates, which is the difference between the contracted spot rates on value date and the historical moving average cost of the asset, is recognized in the income statement. At month-end, the forward contract is marked-to-market and the unrealized gains or losses due to change in exchange rates are booked under the RIR account. At maturity date, the contingent asset/liability is reversed, and the sale/purchase of the currency and the corresponding realized FX gains or losses, which is the difference between the spot rate on forward date and the contracted forward rate, are recorded. The RIR account is reversed at month-end.

For options, a derivative asset or liability is recognized on spot date when premium is paid or received. At maturity date or once the option is exercised, the derivative asset or liability is reversed and the premium paid or received from the options is closed to "Trading Gains/(Losses)" account and recognized in the Income Statement. Further, if the option is exercised, trading gains or losses from the purchase or sale of the underlying asset are also recorded in the Income Statement.

For futures contract, a contingent asset/liability is recognized at spot date including the set-up of an initial margin. Variation margin, also known as maintenance margin is posted daily to cover any decline in the market value of the open positions. At month-end, the futures contract is marked-to-market and the unrealized gains or losses due to change in price and exchange rates are booked under the RIR account. Once the open positions (long/short) in a futures contract are closed, the contingent asset/liability is reversed and the corresponding realized gains/(losses) are recorded. The RIR account is reversed at month-end.

2.19 Repurchase, reverse repurchase, special deposit account and securities lending agreements

2.19.1 Repurchase and reverse repurchase

Repurchase (RP) and reverse repurchase (RRP) transactions are used as monetary tools when the Bank intends to expand or contract, for the time being, money supply in the market. RP involves the purchase of government securities from a bank with a commitment to sell it back at a specified future date at a predetermined rate. In effect, an RP transaction expands the money supply's level. Under an RRP, the BSP acts as the seller of the government securities, thus, the commercial bank's payment results in a contraction in the system's money supply. For both RP and RRP, the BSP can only affect the level of money supply temporarily, given that the parties involved commit to reverse the transaction at an agreed future date. Repurchase agreements are presented in the balance sheet under the account "Government securities purchased under agreements to re-sell." Income earned from the transaction is reflected in the income statement as local currency interest income.

Securities sold under agreements to repurchase remain part of the government securities inventory but are reclassified in the financial statements every end of the month. The government securities account is reclassified using the accounts: "Government securities sold under agreements to repurchase" for securities used as collateral in the RRP transactions and "Government securities-free" for securities which are free from any encumbrance. The reclassification entry is reversed every first working day of the following month. The obligation to repurchase is recognized as a liability under the account “Government securities sold under agreements to repurchase”. The difference between the sale and repurchase price represents interest expense and is recognized in the income statement.

The OLF (equivalent to the RP in the old system), which was launched on 3 June 2016 with the IRC, is constrained by the available collateral held by BSP counterparties. The OLF is open to Banks, and Non-Banks with Quasi-Banking functions (NBQBs). On the other hand, the existing RRP facility was transformed into an overnight facility and is offered using a fixed-rate and full-allotment method, where individual bidders are awarded a portion of the total offer depending on their bid size. Fixed-rate and full allotment allocation helps ensure that the overnight rate sits close to the BSP policy rate. RRPs-Onite is open to Banks and NBQBs. These counterparties may enter into RRP-Onite transactions with the BSP by participating in the RRP auction operation subject to certain terms and conditions.

2.19.2 Special Deposit Account

Special Deposit Accounts (SDAs) are uncollateralized short-term borrowings of BSP classified as fixed term deposits. These pertain to placements of banks which can be considered as an alternative compliance with the liquidity floor requirement, and income thereon is subject to the twenty per cent (20%) final withholding tax (FWT). The SDA also includes funds deposited by trust entities (under BSP supervision) which may either be tax exempt or subject to twenty per cent (20%) FWT depending on the purpose of the accountee of the fund deposited with the BSP. Upon the adoption of the IRC on 03 June 2016, the SDA term facility was replaced by a standing Overnight Deposit Facility (ODF) and the auction-based Term Deposit Facility (TDF).

2.19.3 Term Deposit Facility

The TDF is a key liquidity absorption facility, commonly used by CBs for liquidity management. The TDF is used to withdraw a large part of the structural liquidity from the financial system to bring market rates closer to the BSP policy rate. The BSP offers two tenors - seven days and 28 days, in its term facility. Pre-termination is prohibited for the 7-day tenor but is allowed for the 28-day tenor after the 7-day holding period at the appropriate pre-termination rate. The TDF auction will be operated using a variable-rate, multiple-price tender (English auction) in order to bring short-term interest rates within a reasonable close range to the policy rate. Banks, NBQBs and Trust entities can participate in the TDF facility.

2.19.4 Overnight Deposit Facility

The ODF is uncollateralized short-term borrowings unlimited in volume to help absorb any residual system liquidity and constraint market rates from falling below the corridor. Banks, NBQBs and Trust entities can participate in the ODF facility.

2.19.5 Securities Lending Agreements

To maximize the Bank’s returns from its investments in foreign securities and to offset custody fees, BSP, through its accredited agents, engages in securities lending transactions. Securities under custody may be lent out to accredited borrowers, such as banks, securities dealers, and other market makers, who may require such securities to meet settlement commitments or to participate in various arbitrage and hedging activities. Securities lending involves the temporary exchange of securities for cash or other securities of an equivalent or greater value (collateral) with a contractual obligation to re-deliver a like quantity of the same securities at a future date. Securities lent to counterparties remain in the balance sheet.

If the collateral received by the BSP is cash, the lender/agent (on behalf of the lender) invests the cash in short-term investment instruments under BSP's investment guidelines. BSP's earnings from the program are determined by the difference between the rebate rate paid to the lender of cash and the re-investment rate gained on the cash collateral investments. On the other hand, if the collateral received by the BSP is non-cash, the BSP is paid a fee (lending fee) by the borrower based on the market value of the loaned securities. Both the rebate and lending fee are negotiated at the time of the transactions and can be amended during the life of the loan in response to changing market conditions. Income received from securities lending are recognized in the income statement.

Under the securities lending transactions, the foreign securities lent out remain in the foreign securities account but are reclassified in the financial statements every end of the month to distinguish those securities which are free from any encumbrance. The reclassification entry is reversed every first working day of the following month.

2.20 Currency in Circulation

Currency issued is a claim on the BSP for notes and coins issued for circulation, fully guaranteed by the government of the ROP, in favor of the holder. Currency in circulation is recorded at face value as a liability in the balance sheet.

In accordance with Section 51 of the New Central Bank Act, notes and coins issued by the Bangko Sentral shall be liabilities of the Bangko Sentral and may be issued only against, and in amounts not exceeding, the assets of the Bangko Sentral. Said notes and coins shall be a first and paramount lien on all assets of the Bangko Sentral. Also, notes and coins held in the vaults of the CD and RMASS of the BSP are deducted from the total currency issued, and accordingly, do not form part of the assets or liabilities of the BSP.

2.21 Employee benefit plans

The Funds listed below had been set-up for BSP employees. The BSP's contributions to the Funds are charged to operating expenses and recognized in the income statement. Contributions to and augmentation of the Funds are disbursed to the Fund administrators. All income accrue to the Funds and are recognized in the balance sheet as addition in the Fund balance except for Provident fund and Housing fund wherein the Board of Trustees shall set aside a portion of the earnings as General Reserve Fund (GRF) for both Provident and Housing funds sub-accounts when their respective balances fall below an amount equivalent to one-half of one per cent (1/2 of 1%) of the total members' equity as of the end December of each year. The balance of the unappropriated earnings of the Provident fund and Housing fund are declared as the fund members' share in the earnings of both Funds for the year. The assets of the

Funds are reported at either cost or fair market value depending on the asset classification, following the applicable PASs.

2.21.1 Provident fund

This Fund was established in accordance with RA 4537 dated 9 June 1965 which authorized such fund to be set-up by government owned or controlled banking institutions. This is a defined contribution plan wherein the Bank's monthly contribution is equivalent to twenty per cent (20%) of the basic salary of each employee while the employee contributes 2.5 per cent. As approved by the MB on 19 December 2008, the Bank's monthly contribution was increased from twenty per cent (20%) to 22.5 per cent while the employees are given the option to increase their personal contribution from 2.5 per cent up to five per cent which took effect in February 2009. All regular employees automatically become members of the Fund. The Bank's contributions are recognized in the income statement as operating expenses. The Fund is administered by the Provident Fund Office (PFO), a separate legal entity established for the purpose of managing the Fund and staffed by Bank personnel.

2.21.2 Housing fund

This Fund was established in CY 1978 to provide housing to BSP employees in line with the government's program to provide low cost housing for the people. Similar to the provident fund, the Bank's monthly contribution is equivalent to twenty per cent (20%) of the basic salary of each employee while the employee contributes 2.5 per cent. As approved by the MB on 19 December 2008, the Bank's monthly contribution was increased from twenty per cent to 22.5 per cent while the employees' personal contribution is from 2.5 per cent with the option to increase it up to five per cent which took effect in February 2009. All regular employees automatically become members of the Fund. The Bank's contributions are recognized in the income statement as operating expenses. The Fund is administered by the PFO.

2.21.3 Longevity trust fund

This Fund was created in CY 1991 for the exclusive purpose of paying longevity benefits to seceding members of the provident fund based on the length of service, the minimum of which is five (5) years. The Bank contributes an equivalent of twelve per cent (12%) of the member's annual basic salary. The Bank's contributions are recognized in the income statement as operating expenses. The Fund is administered by the PFO.

2.21.4 Car plan fund

BSP implemented the car plan program in CY 1993 in line with the approval of the motor vehicle lease purchase plan for government financial institutions by the Office of the President on 20 July 1992. Positions from Assistant Manager (JG12) and up are entitled to avail under the BSP Car Plan Program. The Fund is administered by the BSP Provident Fund Board of Trustees through the PFO and is operated independently of the existing Provident Fund loan facilities. Budgeted amounts earmarked for car plan fund are recognized as advances booked under "Due from Administrator of Funds" account and invested in marketable securities meantime that entitled officers have not yet availed of the car plan program.

On 16 October 2014, the MB approved the appropriation of PHP49.53 million as supplemental budget, representing the replenishment of the Car Plan Fund (CPF) by the BSP of fifty per cent (50%) subsidies on the insurance and registration fees of PHP36.66 million for the period 2011 to 2013; and advance funding of the estimated BSP subsidies of PHP12.87 million, inclusive of tax, for 2014.

The MB also approved the grant of advances of PHP50.00 million to cover the CPF, corresponding to the estimated increase in Advances to Officers from CPF for the years 2014 to 2016. Furthermore, the MB approved the institution of a threshold of PHP30.00 million for the available CPF balance which when breached, will trigger PFO to request additional funding for the CPF from the Bank through its Budget Committee.

2.21.5 Retirement benefit fund

This Fund was set-up in CY 1997 for employees who will be eligible to retire under RA 1616. Based on a study made by Human Resource Management Department (HRMD) in CY 2005, the outstanding balance of the fund plus projected earnings up to CY 2023 would be sufficient to cover the benefits of the employees who will be qualified to retire under the plan. Actual charges include (a) retirement gratuity pay and (b) financial assistance to beneficiaries of departed members. The balance of the Fund is reported in the balance sheet under “Capital Reserves” account and as a receivable from the PFO, as administrator, under the “Due from Administrator of Funds” account. The Fund resources are invested in government securities and all income accrues to the Fund, net of fifteen per cent (15%) management fee to PFO.

2.22 Capital reserves

The capital reserves listed below had been set-up to cover for various risks.

Managed funds

2.22.1 Fidelity insurance fund

This Fund was set-up in CY 1997 as self-insurance for the fidelity bond of bank officers and staff with cash and gold accountabilities in excess of PHP100 million. Accountabilities up to PHP100 million are covered by fidelity bonds issued by the Bureau of the Treasury (BTr). Annual charges against surplus are computed at one per cent of seventy-five per cent (1% of 75%) of the maximum amount of accountabilities (net of PHP100 million) of each group/ individual covered by the Fund. The Fund is an internally managed fund with the BSP Comptrollership Sub-Sector (CoSS) as administrator. It is accounted separately from the bank proper resources through the “Due from Administrator of Funds” account. There was no additional provision to the Fund since CY 2006 as it was determined that the balance of the fund is sufficient to cover the highest single amount of accountability covered by the Fund. Since the establishment of the Fund, no claims have been charged thereon.

2.22.2 Currency insurance fund

The currency insurance fund adopted in CY 1955 and rationalized in CY 1996 was established as a self-insurance scheme to cover for any loss that may arise from its currency shipments. At the start of the year, annual transfers to the reserve account are made from the surplus account and are computed based on one-tenth of one per cent (1/10 of 1%) of the highest recorded value of currency shipment for the previous year. The Fund is an internally managed fund that is accounted separately from the bank proper resources through the “Due from Administrator of Funds” account. Investments of the Fund are in government securities and all income accrues to the Fund. Since CY 2010, no additional set-up was made as the balance of the fund had exceeded the estimated maximum risk exposure at any given time.

2.22.3 BSP properties self-insurance fund

The MB approved the setting-up of Fund in the aggregate amount of PHP3.650 billion chargeable against the “Surplus” account of the BSP and to be built up through staggered contributions (i.e., PHP1.100 billion in 2011 and PHP0.850 billion each for 2012, 2013, and 2014). This shall cover the difference between the estimated replacement cost and sound/net book value of the BSP properties. The Board also granted authority to the Administrative Services Department (ASD) to use part of the earnings of the Fund to pay for the annual insurance premium and designated the BSP PFO to administer and manage the Fund. On 4 April 2013, the Board approved the deferment of the appropriation of PHP0.850 billion from the “Surplus Account” as additional contribution to the Fund for CY 2013 until such time that the BSP has accumulated a substantial positive Surplus balance.

2.22.4 Retirement benefit fund

This Fund was set-up in CY 1997 for employees who will be eligible to retire under RA 1616. See Note 2.21.5.

2.22.5 Directors and officers liability insurance (DOLI) fund

The self-insurance fund was set up in CY 2005 in order to provide an additional insurance for those officers already covered under the Government Service Insurance System (GSIS). The GSIS is the claims adjudicator of the self-insurance program. The Fund is an internally managed fund with the PFO as administrator. It is accounted separately from the bank proper resources through the “Due from Administrator of Funds” account. Investible funds (net of amount as may be necessary for liquidity and reinvestment purposes) are invested in the form of government securities where income earned accrues to the fund, net of fifteen per cent (15%) management fee payable to the PFO. The Fund amounted to PHP1.092 billion as of 31 December 2016.

Other funds

2.22.6 Reserve for fluctuation in foreign exchange rates and price of gold

These reserves were initially set-up in CY 1998 to serve as repository of provisions for potential loss arising from the volatility of the exchange rates and price of gold. The additional provisions are set aside from net realized gains from FX rate fluctuations and price of gold, as necessary.

2.22.7 Reserve for contingencies

This is a general reserve set aside for contingencies. It includes provisions for FX rates and price fluctuations approved by MB subject to the condition that reserves may be provided if the balance in the account "Reserve for Fluctuation in FX Rates" will not fall below fifty per cent (50%) of total capital accounts.

2.22.8 Property insurance (artworks, paintings and sculptures)

A self-insurance fund set-up in CY 2003 to cover for the amount of potential loss in excess of what is presently covered by the insurance policy with the GSIS. Properties insured are artworks, paintings and sculptures which are valued at acquisition cost. Amounts earmarked are not invested. No additions were made to the fund since CY 2004.

2.22.9 Reserve for the rehabilitation of the Security Plant Complex

The reserve account was set-up in CY 2003 to partially fund the rehabilitation and upgrading of the SPC facilities constructed/installed in CY 1979. Based on the rehabilitation master plan, the project is estimated to cost PHP5.709 billion. At the end of each year, the reserve account is reverted to surplus based on actual charges incurred, if any.

2.22.10 Cultural properties acquisition

The Cultural Properties Acquisition Fund was established on 05 November 2010 as per MBR No. 751 dated 21 May 2009, to acquire artworks and other cultural properties including those for the Money Museum.

2.22.11 Gold insurance

The Fund is under the self-insurance scheme of the Bank which was established in CY 2006 to cover for any loss that may arise from gold shipments from the BSP regional gold buying stations to the SPC for refining. It is an internally managed fund by the CoSS similar to the self-insurance scheme for currency shipments. Transfers to the reserve account are charged against surplus account. Balance of the Fund is not currently invested.

2.23 Commitments and contingent liabilities

As of the balance sheet date, the BSP recognizes the following as commitments and contingent liabilities:

	2016	2015
FX commitment receivable/sales	0	39,228,905,600
FX commitment receivable/payable	462,109,059,165	464,010,875,676
Currency unissued	59,490,676,000	255,347,637,000
LCs held/received in process	10,235,313,743	3,531,499,157
Equity investment receivable/payable	861,173,900	861,173,900

Below is the schedule of FX commitment receivable/payable with no maturity as of 31 December 2016:

Schedule of FX Commitment Receivable/Payable
As of 31 December 2016

	USD	PHP
FX commitment receivable/payable		
New Arrangement of Borrowing (NAB)	433,585,576	19,046,547,165
Chiang Mai Initiative Multi-Lateralization Agreement (CMIM)	9,104,000,000	399,920,512,000
Note Purchase Agreement (NPA)	1,000,000,000	43,142,000,000
	10,537,585,576	**462,109,059,165**

2.23.1 FX commitment receivable/sales represents the forward leg of a foreign currency swap transaction (purchase of USD for PHP)

A foreign currency swap transaction refers to the simultaneous purchase and sale of identical amounts of currency for different value dates, although quite typically the near leg of a swap is a spot deal.

2.23.2 FX commitment receivable/payable represents foreign currency forward

A foreign currency forward transaction refers to a commitment to buy/sell certain amounts of foreign currency at an agreed rate and future date.

2.23.3 FX commitment receivable/payable of futures

Futures are exchange traded derivative contracts to buy or sell a particular commodity or financial instrument at a pre-determined price in the future.

2.23.4 FX commitment receivable/payable of BSP under various International Monetary Fund (IMF) facilities (FTP, NAB, NPA and CLIFF-LICs)

a. Financial Transactions Plan (FTP) of the IMF

The FTP is a mechanism through which the IMF finances its lending and repayment operations by drawing on its own funds (the local currency component of the Philippines' quota subscription in the IMF) held by the fiscal agent (BSP) and converted into freely usable currency. Participation in the FTP is based on the strength of the member's reserve position. The BSP (as fiscal agent), when called upon by the IMF, facilitates the transfer of freely convertible currencies to the Fund borrower resulting in an increase in the "Reserve Tranche Position" in the Fund.

The Philippines has participated in the FTP since August 2010. As of 31 December 2016, total IMF drawdowns amounted to SDR235.10 million (USD362.48 million), where payments received totaled SDR74.50 million (USD102.23 million) leaving an outstanding balance of SDR160.60 million (USD260.25 million).

b. New Arrangements to Borrow (NAB)

The NAB facility of the IMF is a credit arrangement between the Fund, and a group of forty (40) members and institutions to provide supplementary resources to the IMF, to cope with an impairment of the international monetary system or to deal with an exceptional situation that poses a threat to the stability of that system. As participant in the IMF's NAB, the BSP undertakes to provide a credit line of up to SDR340.00 million (USD524.50 million).

As of end December 2016, out of total commitment of SDR340.00 million (USD524.50 million), total loans granted amounted to SDR89.92 million (USD133.16 million). Repayments received from the IMF reached SDR31.00 million (USD44.81 million), leaving an outstanding loan balance of SDR58.92 million (USD88.35 million). The amount of SDR281.08 million (USD436.15 million) is available for drawdown under the BSP's commitment.

c. Note Purchase Agreement (NPA) between the BSP and the IMF

The NPA was entered into between the BSP and the IMF to enhance the resources available to the Fund for crisis prevention and resolution. Under said agreement, the BSP agreed to purchase from the Fund promissory notes in a total principal amount up to USD1.0 billion. The commitment under the NPA was booked in 2013. As of end 2016, no transactions were made under the agreement.

d. Concessional Lending Instrument and Financing Framework for Low-Income Countries (CLIFF-LICs)

The Philippines, through the BSP, provided subsidy contribution to the Poverty Reduction and Growth Trust (PRGT), which is the Fund's concessional lending facility for LICs. The BSP's strong external position allowed it to provide subsidy contribution to the Fund in the amount of SDR1.90 million (USD2.70 million) to be disbursed in five (5) equal annual installments subject to prevailing exchange rates at the time of transactions for the fiscal years 2011 to 2015. With the fifth and final payment made on 9 December 2015, the BSP has fulfilled its pledge in 2010 and the Fund has expressed gratitude for the Philippines' generous support to the PRGT of the IMF.

2.23.5 Currency Swap Arrangements with Central Banks

a. Chiang Mai Initiative Multilateralization (CMIM) Arrangement

The Philippines is a member of the CMIM. It is a USD240 billion multilateral arrangement among the finance ministries and central banks of the ASEAN (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) + 3 member countries (China, Japan and Korea) and the Hong Kong Monetary Authority, aimed at providing financial support in the event of balance of payment difficulty. The contribution to the CMIM does not involve outright transfer of the committed amount but is instead in the form of a commitment letter, whereby the central banks/monetary authority of ASEAN + 3 countries as well as the Hong Kong Monetary Authority issues a promissory note in the amount equivalent to their committed contribution. Under this arrangement, the management and custody of committed reserves remain with the central banks until a swap request has been approved. The Philippines, through the BSP has an outstanding contribution commitment of USD9.104 billion to the CMIM. The BSP may be able to borrow up to 2.5 times its contribution, i.e. USD22.760 billion from the CMIM. As of end 2016, no transactions were made.

b. Bilateral Swap Arrangement (BSA) with the Bank of Japan (BOJ)

The BSA with BOJ, acting as the agent for the Minister of Finance of Japan, would allow the BSP to swap up to USD12.0 billion in the event of a potential or an actual liquidity need. The BSP has a commitment to provide up to USD500 million to the BOJ in the event of a potential or an actual liquidity need.

c. ASEAN Swap Arrangement (ASA)

The ASA is a USD2.0 billion facility of the ten (10) ASEAN member central banks that allows them to swap their local currencies with major international currencies, i.e., US Dollar, Japanese Yen and Euro, for an amount up to twice their committed amount under the facility. The Philippines committed to contribute up to USD300 million and could request swap of up to USD600 million worth of Philippine peso.

2.23.6 Bank for International Settlements (BIS)

Commitment amounted to SDR12.00 million (USD18.50 million). This represents the uncalled portion or seventy-five per cent (75%) of the BSP shareholdings in the BIS.

2.23.7 Currency unissued refers to the face value of outstanding notes and coins held by the Currency Issue Division of CIIO of CMSS. The production cost and/or cost of importation of the stock is recognized as an asset in the balance sheet under “Currency Inventory” account.

2.23.8 L/Cs held/received in process refers to outstanding letters of credit (L/Cs) opened covering BSP importation of raw materials and/or capital asset acquisition where loading/shipment is yet to be made by the supplier.

2.24 Trust Accounts

In addition to the various funds set-up for BSP employees and to cover various risks, BSP administers (a) funds provided by the NG, Government of Japan and other foreign financial lending institutions for relending to participating financial institutions; and (b) funds held in escrow that are being invested in government securities to liquidate outstanding obligations of the beneficiary bank with the BSP until such time when the escrow accounts’ accumulated balances are equal to at least the outstanding balance of the loan account. Conduits for the funds provided by the NG and other foreign financial lending institutions are qualified rural banks and the final beneficiaries are accredited individual borrowers and/or associations for supervised agricultural credits. The funds held in escrow are mostly for the account of closed banks that the BSP manages.

2.25 Prior period adjustments

Adjustments to prior years' income and expenses are recognized and reflected in the affected income or expense accounts' subsidiary ledgers. These adjustments include change in estimates and other adjustments pertaining to previous accounting periods.

Following PAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", corrections of material errors are either restated in the comparative amounts for the prior period(s) presented in which the error occurred; or if the transactions relate to periods before those presented in the financial statements, adjustments are restated in the opening balances of assets, liabilities and capital (usually the Surplus account) for the earliest prior period presented.

2.26 Comparatives

Where necessary and practicable, comparative figures have been adjusted to conform to changes in presentation in the current year.

2.27 Dividend distribution

In accordance with transitory provisions of RA 7653, Section 132 (b), the BSP remits seventy-five per cent (75%) of its net profits to a sinking fund until such time as the net liabilities of the old central bank shall have been liquidated through generally accepted finance mechanisms or to the NG as dividends with the remaining twenty-five per cent (25%) as residual to BSP surplus.

2.28 Taxes

The BSP is liable for all national, provincial, municipal and city taxes, fees, charges and assessments. However, as clarified under Revenue Memorandum Circular No. 65-2008, BSP is exempt from business taxes for its revenues and receipts derived from the exercise of essential governmental functions but subject to business taxes in the exercise of purely proprietary functions. BSP also continues to be fully exempted from all customs duties and consular fees and all other taxes, assessments and charges in relation to the importation and exportation of notes and coins, and gold and other metals and all equipment needed for bank note production, minting of coins, metal refining and other security printing operations authorized under Section 126 of RA 7653. This exemption also includes importation of supplies, raw materials and spare parts of equipment needed for bank note production, minting of coins, and metal refining.

Further, the BSP is exempt from documentary stamp taxes, pursuant to Section 199 of the, "National Internal Revenue Code" (NIRC) of 1997, as amended by RA 9243, implemented under Revenue Regulation (RR) No. 13-2004 dated 23 December 2004.

The accounting treatment for income taxes is prescribed under PAS 12. The principal issue in accounting for income taxes is how to account for the current and future tax consequences of (a) the future recovery (settlement) of the carrying amount of assets (liabilities) that are recognized in the entity's balance sheet; and (b) transactions and other events of the current period that are recognized in an entity's financial statements.

Pursuant to PAS 12, the BSP has identified the accounts where tax implications may require recognition of deferred taxes in the books of accounts. Deferred taxes may either be an asset or a liability. Deferred tax assets are the amounts of income taxes recoverable in future period with respect to: a) deductible temporary differences; b) carry-forward of excess minimum corporate income tax over regular income tax; c) carry-forward of net operating loss; and, d) carry forward of unused tax credits. Deferred tax liabilities, on the other hand, are amounts of income taxes payable in future periods in respect of taxable temporary differences. The BSP, applying the provisions of paragraph 74 of PAS 12, offsets deferred tax asset and deferred tax liability.

In the recognition of deferred taxes with respect to temporary differences, the BSP uses the Balance Sheet Method or Asset/Liability Method, which is the acceptable method prescribed under PAS 12. This may result in taxable amounts or in amounts that are deductible in determining taxable profit (taxable loss) of future period when the carrying amount of the asset or liability is recovered or settled.

Pursuant to the NIRC, as amended, the Bank computes its income tax obligation based on (a) Regular Corporate Income Tax (RCIT) computed at thirty per cent (30%) of net taxable income; or (b) Minimum Corporate Income Tax (MCIT) computed at two per cent (2%) based on gross income, whichever is higher. For purposes of applying the MCIT, gross income means gross receipts less sales returns, allowances, discounts and cost of services as provided under RR No. 9-98, as amended, in relation to Section 27(E)(4) of the NIRC. Income tax obligation computed under RCIT is booked as an expense. As provided for under RR 9-98, as amended, the amount computed and paid under MCIT in excess of the normal income tax/RCIT is recognized as deferred charges. This asset account shall be carried forward and credited against the normal income tax for a period not exceeding three (3) taxable years immediately succeeding the taxable year/s in which the same has been paid, as provided under Section 27(E)(2) of the NIRC, as amended.

The business tax/value added tax (VAT) expenses are capitalized which form part of the cost of inputs. The monthly VAT declaration and returns are filed with the BIR and the corresponding VAT outputs are paid. VAT rate remains at twelve per cent (12%) since 01 February 2006 (NIRC of 1997, as amended).

Discount on Treasury Bills purchased from the secondary market are subject to twenty per cent (20%) final withholding tax. However, the taxes paid in the secondary market are not remitted to BIR, but imposed to recoup the taxes paid on the original sale in the primary market by the original buyer (from BTr). This market convention is in accordance with the provisions of Department of Finance Order No. 141-95 and BIR Revenue Ruling dated 9 November 1995, Ref. No.177-95, which state that, *"xxx twenty per cent (20%) final withholding tax (FWT) on discounts xxx shall be imposed only on every original sale in the primary market but shall no longer be collected in the secondary market trading of the said securities."*

Interest income on government securities collected on every coupon date are likewise subject to twenty per cent (20%) FWT and are withheld and remitted by the BTr to the

NG through credit to the demand deposit account of the Treasurer of the Philippines (TOP) maintained with the BSP.

In accordance with Sections 57 and 58 of the NIRC, as amended, and RR 2-98, as amended, BSP acts as withholding agent on income payments made to its suppliers and other counterparties. For its gold buying operations performed pursuant to its mandate, BSP acts as a withholding agent for creditable withholding taxes on gold purchased. By virtue of a Memorandum of Agreement with the Bureau of Internal Revenue dated 10 June 2011, BSP also acts as collecting agent for excise taxes on gold purchased since July 2011.

3. RISK MANAGEMENT

The BSP has adopted a modified centralized enterprise-wide risk management system to institutionalize a structured and systematic approach towards a consistent risk management practice within the Bank. In line with this, the BSP has created a risk management structure composed of a Monetary Board level Risk Oversight Committee responsible for ensuring the effectiveness of the ERM Framework in the Bank, a centralized Risk Management Office (RMO) that acts as a coordinating body and process oversight on risk management, and decentralized Risk Management Units (RMUs) responsible for promoting and coordinating the implementation of the ERM in the operating units.

The BSP is exposed to financial risks associated with its foreign and local currency activities. In managing the risks, the TD, DLC and AMD are guided by policies approved by the MB.

Financial risks arising from reserve management activities are managed through adherence to investment guidelines designed to achieve the BSP's investment objectives.

The risk factors considered are as follows:

3.1 Market Risk

Market risk is the risk that the value of an investment will fluctuate due to change in market factors, e.g., exchange rates, interest rates and commodity prices. Allowable exposures and limits thereon are specified in the investment guidelines. Adherence to the investment guidelines is monitored daily.

3.1.1 Currency risk

The Bank considers the effects of fluctuations in the prevailing currency exchange rates on its financial position and cash flows. The following table summarizes the Bank's exposure to foreign currency exchange rate risk as at 31 December 2016 grouped into assets and liabilities at carrying amounts:

Currency	Original Currency	USD Equivalent
Assets		
USD	71,780,133,776	71,780,133,776
JPY	680,337,038,028	5,798,943,074
AUD	3,365,249,139	2,427,487,112
SDR	950,603,948	1,277,925,405
CNH	3,765,072,483	544,945,480
EUR	1,572,503	1,645,215
CAD	1,651,903	1,229,454
SAR	2,541,565	677,305
CHF	604,287	590,886
SGD	423,942	292,633
AED	963,335	262,303
HKD	1,979,130	254,756
GBP	203,251	249,778
BND	261,526	179,764
CNY	356,276	51,287
KRW	58,657,000	48,744
THB	1,570,860	44,132
IDR	192,083,000	14,214
BHD	4,939	13,106
Liabilities		
USD	-1,811,903,987	-1,811,903,987
SDR	855,459,945	1,150,020,468
EUR	20,613,073	21,571,581
JPY	777,934,214	6,616,330
CAD	750,000	558,285
DKK	9,314	11,450

In managing the foreign currency risk of the reserves portfolio, the BSP has set allowable currencies and percentage currency exposure limits to mitigate risks arising from fluctuations in foreign exchange rates. The adherence to exposure limits to foreign currencies is monitored daily.

3.1.2 Interest Rate Risk

The investment guidelines also specify duration limits to manage interest rate risk exposures from investments in fixed income securities.

3.1.3 Commodity Risk

Exposure to commodity risk associated with the gold holdings is managed by placing a limit on the level of the gold holdings and by monitoring gold price volatility.

Market Risk Measurement in Reserve Management

The BSP makes use of the Value-at-Risk (VaR) concept in measuring the market risk both in absolute terms and relative to each portfolio's respective benchmark. VaR is also measured in aggregate and disaggregate basis (i.e. VaR per portfolio or sub-portfolios), providing useful information on the diversification benefits of holding certain securities or sub-portfolios or group of assets.

The sensitivity of the portfolios to changes in risk factors is also measured. BSP adopts the duration, the PV01 and the CR01 measures. Stress testing and scenario analyses are used to assess the impact of adverse market movements. Tracking error which is calculated as the standard deviation of a portfolio's active return is likewise being used to complement the other risk measures.

3.2 Credit Risk

Credit risk is the potential financial loss from default of a debtor, issuer or counterparty. For the foreign currency reserve portfolio, deposit placements and other money market transactions are made only with BSP accredited counterparties.

The Bank has a set of guidelines to manage and mitigate credit risk arising from reserve management activities, which includes, among others the following:

a. Counterparty Accreditation and Eligibility of Investments - the Bank only deals with accredited counterparties and invests in instruments allowed under the guidelines. Due diligence is observed in evaluating the creditworthiness of its counterparties by monitoring, on a daily basis, their credit ratings, earnings updates, credit default swap spreads, share price movements relative to market movements, market news specific to counterparties, and financial report updates.

b. Minimum Credit Rating (MCR) Requirements - the Bank requires that counterparties and investments meet the respective minimum credit rating requirements, as approved by the MB. Compliance to MCR is monitored daily.

c. Exposure Limits - exposures and compliance to limits are monitored daily.

d. International Swaps and Derivatives Association (ISDA) Agreements – over the counter (OTC) derivative transactions shall generally be covered by ISDA Agreements with credit support and two-way margining provisions.

For the domestic portfolio, which is essentially held for open market operations in pursuit of the policy objective of price stability, holdings are limited to debt issues of the Philippine government as well as in debt issues of government instrumentalities that are fully guaranteed by the government.

Credit risks associated with repurchase agreements of the BSP with local banks are collateralized by government securities from the borrowing bank. To ensure that the BSP is adequately covered from potential loss, it assesses the collateral based on its existing market value, adjusted for haircuts. The haircuts, which are based on price and exchange rate volatilities, are designed to protect the BSP (under both normal and extreme market conditions) against collateral value shortfall in the event of borrower's default.

The BSP is exposed to credit risk associated with rediscounting, overdraft credit line and emergency loans to distressed banks and the Philippine Deposit Insurance Corporation (PDIC). To manage and minimize the risk, the DLC observes the credit policy measures approved by the MB. These measures include the adoption of the following: (a) strict qualification standards for access to the lending window of the BSP; (b) aligning the interest rates with policy rates; (c) integrated off-site credit analysis and on-site credit verification of debtor banks; (d) loan confirmation and project verification; (e) strict credit and collateral documentation requirements; and (f) "total responsibility" approach in the management of loans.

3.3 Liquidity Risk

Liquidity risk in reserve management is the risk that foreign currency assets cannot be mobilized or sold in a timely and economic manner to sufficiently meet the immediate demands for liquidity. These demands take the form of payments of interest and/or principal of maturing foreign currency obligations and, as may be necessary, providing liquidity in the local foreign exchange market.

Liquidity risk in reserve management may be in the form of asset or funding liquidity. The BSP manages the funding liquidity risk by apportioning from its internally-managed fund a certain amount or portfolio value known as the liquidity tranche. The level of the fund is determined based on the projected semestral liquidity requirements. Foreign currency obligations and actual flows to and from the portfolio are monitored regularly, taking into account the maturities and currency denominations of every flow. Asset liquidity risk is addressed by requiring that invested securities are listed in an exchange, when relevant, and with a certain minimum issue size.

As required by PFRS 7, schedule of maturity analysis showing the remaining contractual maturities of financial liabilities is attached as *Annex A*.

3.4 Operational, legal and reputational risks

Aligned with the institutional requirements, policies and procedures that include levels of authority and accountabilities are documented and continually updated, while operations are subject to internal and external audits. Internal control procedures include the observance of the principles of separation of duties, checks and balances, staff rotation and strict adherence to policies and procedures including the code of ethics. These all form part of the established bankwide framework for operational risks with RMO, acting as coordinating body.

In treasury operations, continuous enhancement and automation of processes contribute to the mitigation of operational risk. For instance, TD's in-house developed system enables the automated processing of various deal transactions that originate from the front office eliminating the need to perform manual re-encoding of trade details by back office personnel for the settlement of the transactions.

TD also monitors local and international regulatory changes and developments in relevant financial markets. It coordinates with relevant BSP departments, external stakeholders and other institutions to facilitate compliance with regulations affecting its investment activities.

To ensure the continuity of business operations in emergency situations, onsite and offsite back-up facilities are in place for TD and other mission-critical units. These facilities are periodically tested to minimize business disruptions in the event that the primary installations become unavailable.

The BSP AMD is exposed to risks associated with the decline in market values of acquired assets. In managing these risks, the Department engages the services of appraisal companies acceptable to the BSP Monetary Operations Sub-Sector (MOSS) to conduct periodic appraisal of the BSP acquired assets in accordance with established appraisal valuation principles and practices.

The BSP DLC engages the services of external lawyers to fast track collection on delinquent accounts and/or institutions and to handle foreclosure proceedings, and other cases arising therefrom, such as, execution of attachment of properties of third parties covered by Surety Agreement executed by the borrower-bank.

4. SIGNIFICANT EVENTS

The MB approved on –

a. 18 February 2016 the award to Asian Aerospace Corporation of the contract for one lot - engagement of services of aircraft charter provider (small aircraft) for the shipment of currency operations for three (3) years, as per BSP Terms of Reference and Technical Specifications, for PHP65.254 million, value added tax-inclusive, per annum or PHP195.763 million, VAT-Inclusive, for three (3) years.

b. 13 October 2016 the write-off of the BSP's proprietary membership shares on resort and sports clubs and holdings of telephone company stocks which have ceased operation/not in operation as confirmed with the Securities and Exchange Commission (SEC), in the aggregate amount of PHP145,180.00.

c. 6 October 2016 the supplemental budget in the amount of PHP46.404 million to cover the advance payment of the 2017 Real Property Tax for the land, buildings, and machineries of the PICC, net of 15% discount.

d. 27 October 2016 the (1) design concept and the proposed supplemental agreement between the BSP and the National Food Authority (NFA) covering the office building and warehouse projects; (2) grant of authority for the Governor to sign said documents on behalf of the BSP; and (3) allocation of a supplemental budget in the amount of PHP17.700 million to be lodged under the "Land" account of the Project Development and Management Office (PDMO) for 2016, to cover the cost of construction of the NFA facilities.

e. 24 November 2016 the award to Reuters Ltd., Philippines of the contract for the renewal subscriptions to Thomson Reuters Eikon Premium and other support services, in the total amount of USD2.353 million, value added tax-inclusive, as per letter request for price confirmation dated 4 October 2016, covering a period of two years or from 1 January 2017 to 31 December 2018.

f. 1 December 2016 the award to the Joint venture of JBROS Construction Corporation and R.R. Encabo Constructors, Inc., for the contract of one lot general contractor for the proposed BSP Puerto Princesa Branch Building in the total amount of PHP270.635 million, inclusive of all applicable taxes.

g. 1 December 2016 the award to Bloomberg Philippines LLC of the contracts for the subscription to Bloomberg Professional and Other Services for use of various departments/offices, in the total amount of USD3.104 million, value added tax inclusive, as per Letter Request for Price Confirmation dated 11

November 2016, covering a period of two years or from 1 January 2017 to 31 December 2018 and 5 December 2016 and 4 December 2018.

h. 15 December 2016 the award to Questronix Corporation of the contract for one lot - supply, delivery, installation, configuration, and testing of the BSP server system requirements (hardware, software, storage, peripherals, and other necessary services) in the BSP primary and remote sites, as per BSP Terms of Reference, in the total amount of PHP65.500 million, value added tax included.

i. 15 December 2016 the supplemental budget of PHP9.256 million for the ninety-nine (99) sets of New Generation Currency uncut sheets of 50-outs banknotes bearing the signature of President Rodrigo R. Duterte.

j. 27 December 2016 the award to Questronix Corporation of the contract for one lot - software subscription, maintenance, and support services for Pure Application System Appliance, inclusive of software upgrades, updates, patches, and fixes, for a period of three (3) years (for primary and remote sites), as per BSP Terms of Reference and Service Level Agreement, in the total amount of PHP71.780 million, value added tax inclusive.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of the financial statements in accordance with previous accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and contingent liabilities. Future events may cause the assumptions and estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

6. DEPOSITS WITH FOREIGN BANKS

Due from Foreign Banks (DFFB) account represents demand and time deposits of BSP with foreign depository banks.

	Note	**2016**	**2015 (as restated)**
DFFB-Demand Deposit	a	165,908,383,846	19,264,845,980
DFFB-Time Deposit	b	731,143,106,321	631,055,928,333
		897,051,490,167	650,320,774,313
Accrued interest		1,269,423,135	693,084,554
Total		**898,320,913,302**	**651,013,858,867**

DFFB-Demand Deposit, 31 December 2015, before adjustments	19,255,348,858
Add/(deduct):	
Adjustment on securities lending income earned in December 2015 but received in 2016 with no prior period provision for accrual	9,441,056
Refund of VAT erroneously charged by counterparty in October 2013 Including interest	88,780
Payment of management fees incurred in 2015 but paid in 2016	(32,714)
	9,497,122
DFFB-Demand Deposit, 31 December 2015, as restated	**19,264,845,980**

a. **Due from Foreign Banks - Demand Deposits (DFFB-DD)** represent BSP's foreign currency deposits with foreign banks and are considered to be the most liquid among the international assets since they are already in the form of cash and may be withdrawn without restrictions.

b. **Due from Foreign Banks - Time Deposits (DFFB-TD)** represent placements of BSP with accredited foreign banks. Foreign exchange holdings of the BSP not otherwise needed for operation in the near term, places as time deposits with foreign correspondent banks with terms up to one year at varying interest rates.

7. OTHER CASH BALANCES

This represents fit foreign currency notes purchased from Authorized Agent Banks (AABs) held by the CD and BSP Regional Currency Operation Units. All foreign currencies are recorded at their peso and/or dollar equivalent based on the BSP TD "Reference Exchange rate Bulletin".

Month-end revaluation of foreign currencies arising from fluctuations in exchange rates is debited/credited to the Revaluation of Foreign Currency-Unrealized account.

8. INVESTMENT SECURITIES

	2016	**2015**
Marketable securities	1,933,907,438,824	2,080,359,268,437
Other investments	715,307,049,610	635,243,315,984
	2,649,214,488,434	2,715,602,584,421
Accrued interest	9,933,685,725	8,794,926,690
Total	**2,659,148,174,159**	**2,724,397,511,111**

Marketable securities consist of foreign securities (free) and repurchase agreements. The former primarily includes commercial papers in USD, JPY, CNH and AUD currencies. Other investments include externally managed funds (PHP667.405 billion), Asian bond fund (PHP32.627 billion) and BISIP (Bank for International Settlement and Investment Pool - PHP15.274 billion).

9. FOREIGN SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

This represents excess funds of BSP's daily requirements held and invested automatically by Nostro banks in an overnight facility. See Note 2.19.1.

10. LOAN TO INTERNATIONAL MONETARY FUND

This represents calls on the New Arrangements to Borrow (NAB) facility of the IMF. The NAB facility credit arrangement between the IMF and a group of forty (40) member countries and institutions to provide supplementary resources to the IMF to cope with an impairment of the international monetary system or to deal with an exceptional situation that poses a threat to the stability of that system. The claims arising from calls under the NAB will be in the form of loan to IMF.

	2016	2015
Beginning balance-January 1	2,154,663,263	2,651,128,159
Add/(Deduct):		
IMF NAB availment	1,944,886,816	344,981,914
Repayment	(242,074,633)	(833,582,992)
Revaluation adjustments	93,347,034	(39,479,768)
Moving Average Cost (MAC) adjustments	(8,723,330)	31,615,950
	1,787,435,887	(496,464,896)
	3,942,099,150	2,154,663,263
Accrued interest	1,409,708	184,191
Ending Balance-December 31	**3,943,508,858**	**2,154,847,454**

11. GOLD

	Note	2016	2015 (as restated)
In bullion vault	a	148,282,117,369	129,214,825,341
With foreign financial institutions	b	212,995,544,139	186,613,835,010
Total		**361,277,661,508**	**315,828,660,351**

a. Gold in bullion vaults

	2016		2015	
	FTO	PHP	FTO	PHP
Opening balance-January 1	2,576,927.751	129,214,825,341	2,557,353.163	136,366,686,374
Additions during the year	13,973.774	875,978,981	19,574.588	1,237,049,405
	2,590,901.525	130,090,804,322	2,576,927.751	137,603,735,779
Deductions during the year				
Net increase/(decrease) due to price/rate revaluation	0	18,191,313,047	0	(8,388,910,438)
Ending balance-December 31	**2,590,901.525**	**148,282,117,369**	**2,576,927.751**	**129,214,825,341**

	US$/FTO	US$/FTO
Revaluation Rate	1.149.95	1.064.20
Moving Average Rate	1,036.11	1,034.34

b. Gold with foreign financial institutions

	2016		2015 (as restated)	
	FTO	PHP	FTO	PHP
Opening balance-January 1	3,721,625.304	186,613,366,811	3,721,619.921	198,449,312,325
Additions during the year:				
Purchases	0	0	5.383	256,399
	3,721,625.304	186,613,366,811	3,721,625.304	198,449,568,724
Deductions during the year:				
Net increase/(decrease) due to price/rate revaluation		26,382,177,328		(11,836,201,913)
		26,382,177,328		(11,836,201,913)
	3,721,625.304	212,995,544,139	3,721,625.304	186,613,366,811
Accrued interest		0		468,199
Ending balance-December 31	**3,721,625.304**	**212,995,544,139**	**3,721,625.304**	**186,613,835,010**

Accrued interest, 31 December 2015, before adjustment	204,750
Add:	
Adjustment on prior year's income accrued on gold deposits	263,449
Accrued interest, 31 December 2015, as restated	**468,199**

	US$/FTO	US$/FTO
Revaluation Rate	1,149.95	1,064.20
Moving Average Rate	1,415.77	1,415.77

12. INTERNATIONAL MONETARY FUND SPECIAL DRAWING RIGHTS

The Special Drawing Rights (SDR) is an international reserve asset created by the IMF in 1969 to supplement its member countries' official reserves. SDR value is based on a basket of five key international currencies. It can be exchanged for freely usable currencies.

	2016	2015
Beginning balance-January 1	55,265,679,509	54,856,812,905
Add/(Deduct):		
Income accruing to the fund	40,921,432	35,687,631
Revaluation	1,369,850,762	405,666,335
Payment of charges-interest and assessment	(33,111,379)	(27,441,564)
Adjustment due to moving average computations/change in policy	(4,357,066)	(5,045,798)
	1,373,303,749	408,866,604
	56,638,983,258	55,265,679,509
Accrued interest	20,260,061	4,617,833
Ending Balance-December 31	**56,659,243,319**	**55,270,297,342**

13. LOANS AND ADVANCES

	Note	Per cent to Total	2016	2015 (as restated)
<u>Foreign currency loans and advances</u>				
Special purpose				
IBRD 2469		100.00	20,955,142	20,955,142
Total		100.00	20,955,142	20,955,142
Allowance for probable losses		100.00	20,955,142	20,955,142
Net		0	0	0
Accrued interest			0	0
Total			**0**	**0**
<u>Local currency loans and advances</u>				
Philippine Deposit Insurance Corp.	a	38.98	53,093,282,169	55,976,283,387
National Government- Assumed Obligations of:				
Philippine National Bank	b.1		350,000,000	350,000,000
Development Bank of the Phil.	b.1		442,499,511	442,499,511
IMF Quota Subscription	b.2		77,921,409,740	9,569,312,300
		57.79	78,713,909,251	10,361,811,811
Special purpose				
Thrift banks			4,077,768	4,077,768
Specialized banks			12,830,637	13,465,375
Rural banks			91,009,132	91,357,920
		0.08	107,917,537	108,901,063
Emergency	c			
Commercial banks			1,578,259,754	1,578,259,753
Thrift banks			199,636,810	367,481,567
Rural banks			285,794,394	520,915,976
NBQBs			3	3
		1.51	2,063,690,961	2,466,657,299
Rediscounting	d			
Thrift banks			82,591,949	79,981,738
Specialized banks			5,459,134	9,002,152
Rural banks			363,787,900	583,135,239
		0.33	451,838,983	672,119,129
Overdrafts/overnight clearing line		1.31	1,786,238,545	1,788,486,120
Total		100.00	136,216,877,446	71,374,258,809
Allowance for probable losses			4,184,686,786	4,481,440,204
Net			132,032,190,660	66,892,818,605
Accrued interest (net of allowance)			19,019,364,293	17,797,575,379
Total			**151,051,554,953**	**84,690,393,984**
Total foreign and local currency		**100.00**	**136,237,832,588**	**71,395,213,951**
Allowance for probable losses	e	**3.09**	**4,205,641,928**	**4,502,395,346**
Net		**96.91**	**132,032,190,660**	**66,892,818,605**
Amount past due (*Annex B*)			**8,082,697,147**	**8,729,727,858**
Per cent to total loans and advances			**5.93**	**12.23**

Accrued interest (net of allowance), 31 December 2015, before adjustment	18,642,262,275
Add/(deduct):	
Over accrual of interests for PDIC-PNB dacioned accounts	(851,232,666)
Reapplication/adjustment of dacion payment and booked foreclosed properties	6,545,770
	(844,686,896)
Accrued interest (net of allowance), 31 December 2015, as restated	**17,797,575,379**

a. **Loans and advances to Philippine Deposit Insurance Corporation (PDIC*)*** intended for ailing banks slightly decreased to PHP53.093 billion compared to last year's level of PHP55.976 billion. The loans to PDIC are collateralized and interest-bearing. This constituted 38.98 per cent of the total local currency loan portfolio.

b.1 **Loans and advances to NG** represents loans originally granted to the Development Bank of the Philippines (DBP), and the Philippine National Bank (PNB). The NG absorbed the loans and advances during the financial restructuring of PNB and DBP.

b.2 **IMF Quota Subscription** represents non-interest bearing loan extended to the ROP to cover the increase in the IMF quota subscription from SDR1,019.30 million to SDR2,042.90 million or an increase of SDR1,023.60 million pursuant to Section 2 of RA No. 2052 and MBR No. 1752 dated 9 December 2010. The loan is covered by a five (5) year non-negotiable, non-interest bearing promissory note that will mature on 17 February 2021 and is renewable for another period of five (5) years.

c. **Emergency loans** are forms of financial assistance, secured by assets, extended to banks.

d. **Rediscounting** window which accounts for 0.33% of the local currency loan portfolio decreased by PHP0.220 billion or 32.77% from last year-end balance of PHP0.672 billion.

e. **Allowance for probable losses** - of the total outstanding loans and advances which amounted to PHP136.238 billion exclusive of accrued interest receivable, 3.09 per cent or PHP4.206 billion is provided for as Allowance for Probable Losses.

14. OTHER RECEIVABLES

	Note	2016	2015 (as restated)
Foreign currency receivables			
Non-IR foreign exchange assets	a	86,261,611,041	118,935,087,577
Accrued interest		1,571,982,194	1,740,124,125
Due from foreign banks/branches	b	25,918,637	24,801,252
Total		**87,859,511,872**	**120,700,012,954**
Local currency receivables			
Accounts receivable -TOP	c	9,627,794,584	7,194,488,297
Sales contracts receivable	d	4,144,619,200	3,147,437,115
Accounts receivable (net of allowance)	e	1,820,076,791	2,493,642,493
Notes receivable	f	1,366,730,850	1,366,730,850
Due from local banks		529,731,950	438,751,149
Receivables from staff/others		617,199,332	365,453,097
Accrued interest-Sales contracts receivable		150,913,881	103,259,142
Lease receivable (net of allowance)	g	37,443,415	13,886,775

	Note	2016	2015 (as restated)
Items under litigation	h	14,500,000	14,500,000
Accrued interest -receivable from redemption of acquired assets		10,620	12,851
Total		**18,309,020,623**	**15,138,161,769**

	Balance, 31 December 2015, before adjustments	Adjustments	Balance, 31 December 2015, as restated
Sales contracts receivable	3,152,646,457	(5,209,342)	3,147,437,115
Accounts receivable (net of allowance)	2,493,344,903	297,590	2,493,642,493
Receivables from staff/others	383,950,184	(18,497,087)	365,453,097
Accrued interest-sales contracts receivable	104,984,455	(1,725,313)	103,259,142
Lease receivable (net of allowance)	20,090,236	(6,203,461)	13,886,775
	6,155,016,235	**(31,337,613)**	**6,123,678,622**

Sales contracts receivable, 31 December 2015, before adjustments	3,152,646,457
Add/(deduct):	
Collection of prior years' income	(9,855)
Cancellation of contract to sell	(5,199,487)
	(5,209,342)
Sales contracts receivable, 31 December 2015, as restated	**3,147,437,115**

Accounts receivable, 31 December 2015, before adjustments (net of allowance)	2,493,344,903
Add/(deduct):	
Over set up/reversal of accounts receivable dacioned	(14,871,428)
Cancellation of contract to sell and collection of prior year's income	(1,297,068)
Reapplication/adjustment of payment	(288,984)
Overpayment of salaries, scholarship and subsidy	448,392
COA disallowance	114,601
Under payment of supervisory fees and disapproved waiver of penalties	228,096
Adjustment in allowance for doubtful accounts due to reversal of accounts receivable and reapplication of payment	15,963,981
	297,590
Accounts receivable, 31 December 2015, as restated (net of Allowance)	**2,493,642,493**

Receivables from staff/others, 31 December 2015, before adjustments	383,950,184
Add/(deduct):	
Adjustments related to cash advances	(18,497,087)
Receivables from staff/others, 31 December 2015, as restated	**365,453,097**

Accrued interest-Sales contracts receivable, 31 December 2015, before adjustments	104,984,455
Add/(deduct):	
Cancellation of contract to sell	(1,725,313)
Accrued interest-Sales contracts receivable, 31 December 2015, as restated	**103,259,142**

Lease Receivable, 31 December 2015, before adjustments (net of allowance)	20,090,236
Add/(deduct):	
Reversal due to rent-free period per MBR 1007 dated 26 June 2015.	(5,880,000)
Reapplication/adjustment of payment	(323,461)
	(6,203,461)
Lease Receivable, 31 December 2015, as restated (net of Allowance)	**13,886,775**

a. Non-IR FX assets - the account primarily consists of investments in ROP bonds issued by the NG and investment in BSP "Yankee" bonds acquired by the BSP in the open market to mature in CY 2027. It also includes twenty-five per cent (25%) of the BSP's subscription to the offering of 3,000 shares of the third tranche capital of the Bank for International Settlements (BIS) authorized under MBR No. 1304 dated 10 September 2003.

The account decreased primarily due to the redemption of ROP bonds (PHP6.789 billion) and reclassification of CNH bonds (PHP23.030 billion) and BISIP bonds (PHP4.366 billion) to Foreign Investments account.

b. Due from foreign banks/branches - special account - is used to record all peso/dollar purchase/sale transactions through the Philippine Dealing System (PDS). It is a temporary non-international reserve account from which funds are transferred to/from the Federal Reserve.

c. Accounts receivable - TOP - a special receivable account to record the NG's share in the annual revaluation of the IMF holdings of Philippine Peso maintained with the BSP based on change in PHP/SDR exchange rate. On 31 May 2016, the account increased by PHP2.433 billion representing the revaluation of the IMF holdings as at the end of its financial year of 30 April 2016.

d. Sales contract receivable - pertains to receivables arising from the sale on installment of BSP assets owned or acquired each of which is covered by a duly executed Contract to Sell. Breakdown is as follows:

	Total 2016	**Current**	**Non-Current**
I. Auction /Negotiated Sales			
a. BSP personnel	9,083,811	605,587	8,478,224
b. Non-BSP personnel/others	3,800,742,198	253,382,814	3,547,359,384
c. Restructured principal - Non-BSP	15,667,335	1,044,489	14,622,846
d. Restructured interest - Non-BSP	2,615,842	174,389	2,441,453
	3,828,109,186	255,207,279	3,572,901,907
II. Sales under AMD - PFO Housing Program			
a. BSP personnel	223,483,990	14,898,933	208,585,057
b. Non-BSP personnel/others	93,026,024	6,201,735	86,824,289
	316,510,014	21,100,668	295,409,346
Total	**4,144,619,200**	**276,307,947**	**3,868,311,253**

e. Accounts Receivable - the account decreased mainly due to non-renewal of contract with Department of Foreign Affairs (DFA) for the production of e-passport.

f. **Notes Receivable** - claim of BSP against First Philippine International Bank (now First Producers Holdings) guaranteed by a 28.5 year scripless Treasury Bonds with PHP375 million cash flow back plus PHP15 million cash payment for three (3)-year amortization for 1996, 1997 and 1998 or a total of PHP390 million to be placed in an Escrow fund to be administered by DLC until the fund reaches PHP1.367 billion. It shall be applied against BSP claim, per MBR No. 1131 dated 27 September 1995 as amended by Res. Nos. 590 and 1069 dated 13 June and 16 October 1996, respectively. As of 31 December 2016, PHP422.01 million is now with the Escrow fund.

g. **Lease receivable** – Due to the absence of Lease Contract, the lease from dacioned properties acquired from Banco Filipino Savings and Mortgage Bank (BFSMB) was reclassified to Accounts Receivable account.

h. **Items under litigation**

	Note	2016	2015
CSS-FAD	a	14,500,000	14,500,000
BSRU-Tacloban	b	2,499,920	2,499,920
BSRU-Legaspi	c	1,758,500	1,758,500
Total		18,758,420	18,758,420
Less: Allowance for doubtful account		4,258,420	4,258,420
Net		**14,500,000**	**14,500,000**

a. The amount refers to the pilfered PHP4.50 million clearing items paid to Bank of Philippine Island (BPI) under Case No. 18793 and tampered PHP10.00 million denominated Treasury bills under Case No. 88-2389.

b. This pertains to the uncollected claims from the BSP officer of BSRO-Tacloban arising from misappropriated cash on hand under Civil Case No. 97-11-219.

c. The amount of loss declared in the robbery case at Legazpi cash vault filed under Case No. 6672.

15. INVESTMENTS SECURITIES – DOMESTIC

		2016		2015	
	Note	Face Value	Market Value	Face Value	Market Value
BSP-Head Office	a				
Treasury bills		174,298,223,000	172,551,946,935	174,338,670,000	172,378,578,040
Semi-annual FLT treasury bond		50,000,000,000	48,282,423,814	50,000,000,000	47,851,451,629
Fixed rate treasury bonds		2,119,365,023	2,297,931,219	2,094,289,023	2,297,849,973
LBP Bond			12,977[1]	16,819	42,525[2]
		226,417,588,023	223,132,314,945	226,432,975,842	222,527,922,167
Accrued interest			94,252,626		101,943,143
Total			**223,226,567,571**		**222,629,865,310**

[1] A*t redeemed value, representing BSP share on claims against closed banks*

[2] *Includes PHP25,762.17 at redeemed value, representing BSP share on claims against closed banks*

a. The movement in investment securities is summarized as follows:

	2016	2015
Beginning balance, January 1	222,527,922,167	222,313,000,652
Add/(Deduct):		
Purchases	426,795,458,410	426,313,585,482
Marking to market	480,632,841	335,968,768
Redemption	(425,596,545,973)	(425,762,825,143)
Sales	(971,787,429)	(920,414,505)
Accrual/reversal of discount	(103,019,787)	248,637,304
Net premium amortization	(345,284)	(36,353)
BSP share on claims against closed banks	0	5,962
	604,392,778	214,921,515
Ending balance, December 31	**223,132,314,945**	**222,527,922,167**

b. Below is the schedule of maturity of investment securities:

Maturity Schedule of Investment Securities

	Below 90 days	90-180 days	181-365 days	More than 1 year	Total
Treasury bills		64,536,021,668	108,015,925,267		172,551,946,935
Semi-annual FLT treasury bond				48,282,423,814	48,282,423,814
Fixed rate treasury bonds				2,297,931,219	2,297,931,219
LBP Bond	1,988			10,989	12,977
Total	**1,988**	**64,536,021,668**	**108,015,925,267**	**50,580,366,022**	**223,132,314,945**

16. DUE FROM ADMINISTRATOR OF FUNDS

	Note	2016	2015 (as restated)
Financial Accounting Department (FAD)			
Fidelity insurance		22,247,379,248	22,247,379,248
Currency insurance		2,798,665,272	2,798,665,272
Post-retirement benefit	a	6,518,547	29,581,183
Gold insurance		9,333,617	9,333,617
		25,061,896,684	25,084,959,320
Provident Fund Office (PFO)			
BSP Properties Self-Insurance Fund		1,950,000,000	1,950,000,000
Post-retirement benefit		1,111,565,879	1,111,565,878
Directors' and officers' liability Insurance (DOLI) fund		1,092,289,420	1,092,289,420
Car plan fund		555,455,978	555,455,979
Longevity Trust Fund		0	101,209
Housing Fund		0	198,634
Provident fund		187,390,355	158,583,382
		4,896,701,632	4,868,194,502
Department of Loans and Credit (DLC)			
Industrial Fund		2,515,220	2,515,220
Total		**29,961,113,536**	**29,955,669,042**

Due from Administrator of Funds	Balance, 31 December 2015, before adjustment	Add *Adjustments	Balance, 31 December 2015, as restated
Longevity Trust Fund	0	101,209	101,209
Housing Fund	0	198,634	198,634
Provident fund	158,384,748	198,634	158,583,382
	158,384,748	**498,477**	**158,883,225**

*Overpayment of personnel services affecting contributions for provident fund, housing fund and longevity trust fund

a. Amount transferred from PFO to FAD for the retirement gratuity of retired/resigned BSP officials/employees. The balance decreased due to the payment of retirement benefits to employees eligible under RA 1616 and financial assistance provided to beneficiaries of deceased personnel totaling PHP17.90 million; and adjustment of unrecorded retirement benefits amounting to PHP5.16 million.

17. ACQUIRED ASSETS HELD FOR SALE

	2016	2015 (as restated)
Acquired assets held for sale	77,907,435	722,733,519
Less: Allowance for market decline	8,931,539	58,618,673
Net	**68,975,896**	**664,114,846**

	TCTs	Book Value
Acquired assets held for sale, 31 December 2015, before adjustments	2,963	767,850,950
Add/(deduct):		
Effect of restatement of prior period adjustments:		
Adjustment due to cancellation of sale and redemption of acquired assets	5	1,148,000
Prior years' sale of acquired assets	(75)	(46,265,431)
	(70)	(45,117,431)
Acquired assets held for sale, 31 December 2015, as restated	**2,893**	**722,733,519**

Below is the movement of the acquired assets held for sale for the year ended 31 December 2016:

	TCTs	Book Value
Balance, 01 January 2016, as restated	2,893	722,733,519
Additions:		
Transferred from Investment Property	684	225,306,761
Net reclassification/adjustments	173	27,696,333
	857	253,003,094
Deductions:		
Sale/negotiation	(3,032)	(865,507,846)
Revert to Investment Property	(309)	(32,321,332)
	(3,341)	(897,829,178)
Balance, 31 December 2016	**409**	**77,907,435**

18. INVESTMENT PROPERTY

	2016	2015 (as restated)
Investment property	15,890,941,072	15,504,540,043
Less: Allowance for market decline	271,969,030	275,782,611
Net	**15,618,972,042**	**15,228,757,432**

	TCTs	Book Value
Investment property, 31 December 2015, before adjustments	25,594	15,481,987,941
Add/(deduct):		
Effect of restatement of prior period adjustments:		
Capitalization of foreclosure expenses	(1)	24,106,878
Reapplication/Adjustments on Investment Property-Dacioned	12	1,157,235
Reversal of ADA & AR Dacioned	7	302,880
Due to cancellation of sale/adjustment in book value	13	3,214,522
Redemption of acquired assets notarized in previous years	(5)	(6,229,413)
	26	22,552,102
Investment property, 31 December 2015, as restated	**25,620**	**15,504,540,043**

Below is the movement of the investment property for the year 2016:

	TCTs	Book Value
Balance, 01 January 2016, as restated	25,620	15,504,540,043
Additions:		
Dacion en pago	487	86,385,913
Foreclosure	271	493,828,508
Reverted from Acquired Assets	309	32,321,331
Net reclassification/adjustments	156	16,027,186
	1,223	628,562,938
Deductions:		
Sale/negotiation	(259)	(16,596,980)
Transferred to Acquired Assets	(684)	(225,306,761)
Dacion Value booked for LCF		(258,168)
	(943)	(242,161,909)
Balance, 31 December 2016	**25,900**	**15,890,941,072**

19. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT (BPFFE)

	Land and Building	Property Improvement	Computer Hardware	Plant and Equipment	In-Transit Items	In Progress/ under Construction Items	Total
Cost							
01 January 2016, as restated	13,433,714,176	5,216,645,568	1,207,292,312	9,522,268,314	55,958,162	1,161,149,699	30,597,028,231
Additions	404,956	343,243,038	61,148,751	401,976,070	22,733,475	567,896,740	1,397,403,030
Disposals	0	(436,383)	(14,394,155)	(831,722,368)	0	0	(846,552,906)
Reclassification	0	17,897,124	(30,929,910)	(648,142,702)	0	(211,240,612)	(872,416,100)
Adjustments	0	(1,489,061)	807,244	1,141	0	0	(680,676)
31 December 2016	**13,434,119,132**	**5,575,860,286**	**1,223,924,242**	**8,444,380,455**	**78,691,637**	**1,517,805,827**	**30,274,781,579**

	Land and Building	Property Improvement	Computer Hardware	Plant and Equipment	In-Transit Items	In Progress/ under Construction Items	Total
Accumulated depreciation							
01 January 2016, as restated	(2,994,284,820)	(3,117,341,885)	(642,864,089)	(5,517,792,649)	0	0	(12,272,283,443)
Depreciation - CY 2016	(210,441,948)	(340,746,072)	(151,672,922)	(591,648,388)	0	0	(1,294,509,330)
Disposals	0	270,373	12,925,234	764,049,707	0	0	777,245,314
Reclassification	0	(1,170,972)	31,082,769	543,433,927	0	0	573,345,724
Adjustments	0	(297)	(352,366)	3,022,821	0	0	2,670,158
31 December 2016	**(3,204,726,768)**	**(3,458,988,853)**	**(750,881,374)**	**(4,798,934,582)**	**0**	**0**	**(12,213,531,577)**
Net book value, 31 December 2016	**10,229,392,364**	**2,116,871,433**	**473,042,868**	**3,645,445,873**	**78,691,637**	**1,517,805,827**	**18,061,250,002**
Net book value, 31 December 2015, as restated	**10,439,429,356**	**2,099,303,683**	**564,428,223**	**4,004,475,665**	**55,958,162**	**1,161,149,699**	**18,324,744,788**

The BPFFE costs and accumulated depreciation balances as at 31 December 2015 are restated, as follows:

	Land and Building	Property Improvement	Computer Hardware	Plant and Equipment	In Progress/ Under Construction Items	Total
Cost						
31 December 2015, before adjustments	13,292,157,222	4,774,475,442	1,191,276,936	9,524,752,485	1,744,876,779	30,527,538,864
Add/(Deduct):						
Effect of restatement of prior period adjustments:						
Non-(de)recognition of properties acquired, disposed/donated		0	(5,584,717)	(2,680,120)		(8,264,837)
Re/(Mis)-classification to/from BFFE, other assets and expense	141,556,954	442,170,126	21,600,093	195,949	(583,727,080)	21,796,042
	141,556,954	442,170,126	16,015,376	(2,484,171)	(583,727,080)	13,531,205
31 December 2015, as restated	**13,433,714,176**	**5,216,645,568**	**1,207,292,312**	**9,522,268,314**	**1,161,149,699**	**30,541,070,069**
Accumulated depreciation						
31 December 2015, before adjustments	(2,993,930,928)	(3,098,624,885)	(645,869,530)	(5,519,320,812)	0	(12,257,746,155)
(Add)/Deduct:						
Effect of restatement of prior period adjustments:						
Non/(re)-derecognition of properties acquired, disposed/donated			5,007,794	2,331,431		7,339,225
Re/(Mis)-classification to/from BFFE, other assets and expense	(353,892)	(18,717,000)	(2,002,353)	(803,268)		(21,876,513)
	(353,892)	(18,717,000)	3,005,441	1,528,163	0	(14,537,288)
31 December 2015, as restated	**(2,994,284,820)**	**(3,117,341,885)**	**(642,864,089)**	**(5,517,792,649)**	**0**	**(12,272,283,443)**
Net book value, 31 December 2015, as restated	**10,439,429,356**	**2,099,303,683**	**564,428,223**	**4,004,475,665**	**1,161,149,699**	**18,268,786,626**

As of 31 December 2016, the total amount of PHP299.32 million charged against the PHP317.00 million Asia-Pacific Economic Cooperation (APEC) Fund for the PICC rehabilitation projects was booked under the BPFFE, and the total depreciation expense of PHP43.88 million was recognized at year-end, broken down as follows:

Account	Amount	Depreciation
Building Improvement	193,419,634	26,034,683
Furniture and Equipment	99,751,656	17,662,135
Building Improvement in Progress	4,749,080	0
Land Improvements	1,399,000	188,865
Total	**299,319,370**	**43,885,683**

20. INTANGIBLES

	Computer Network and Application System	Computer Network and Application System in Process	Total
Cost			
01 January 2016, as restated	2,405,914,618	95,282,088	2,501,196,706
Additions	114,706,632	63,849,982	178,556,614
Reclassification	(1,860,000)	(78,725,912)	(80,585,912)
31 December 2016	**2,518,761,250**	**80,406,158**	**2,599,167,408**
Accumulated amortization			
01 January 2016, as restated	(2,254,051,248)	0	(2,254,051,248)
Amortization - CY 2016	(75,932,739)	0	(75,932,739)
31 December 2016	**(2,329,983,987)**	**0**	**(2,329,983,987)**
Net book value, 31 December 2016	**188,777,263**	**80,406,158**	**269,183,421**
Net book value, 31 December 2015, as restated	**151,863,370**	**95,282,088**	**247,145,458**

The Computer Network and Application System (CNAS), Computer Network and Application System (CNAS) in Process and related accumulated amortization balances as at 31 December 2015 are restated, as shown below:

	CNAS	CNAS in Process
Cost		
31 December 2015, before adjustments	2,433,405,591	91,682,588
Deduct:		
Effect of restatement of prior period adjustments:		
Reclassification from/to PPE Account	(27,490,973)	3,599,500
31 December 2015, as restated	**2,405,914,618**	**95,282,088**
Accumulated Amortization	(2,257,210,638)	0
Deduct:		
Effect of restatement of prior period adjustments:		
Reclassification from/to PPE Account	3,159,390	0
31 December 2015, as restated	**(2,254,051,248)**	**0**
Net book value, 31 December 2015, as restated	**151,863,370**	**95,282,088**

21. INVENTORIES

	Note	2016	2015 (as restated)
SPC inventories	a	4,437,770,520	6,087,490,422
Currency inventory	b	1,584,568,661	2,417,062,522
Work-in-process		702,274,093	807,009,375
Gold for refining	c	433,899,398	462,135,548
Gold for domestic sale	d	20,557,732	16,753,883
Silver for refining		417,248	119,078
Silver for domestic sale		388,052	388,052
Total		**7,179,875,704**	**9,790,958,880**

SPC Inventories, 31 December 2015 before adjustments	6,212,176,517
Add/(deduct):	
Shown as Factory Supplies in 2015:	
Building Materials In-Stock	(14,805,309)
Spare Parts`	(109,880,786)
	(124,686,095)
SPC Inventories, 31 December 2015, as restated	**6,087,490,422**

a. The decline was greatly attributed to the reduced production of locally printed banknotes.

b. The account represents the costs of unissued finished notes and coins received by the CIIO from the Banknotes and Securities Printing Department (BSPD) and, Mint and Refinery Operations Department (MROD). The costs of production are charged to the “Currency Inventory” account for every delivery made by BSPD or MROD.

The drop in the Currency Inventory of PHP832.50 million in 2016 was attributed to the decreased currency orders due to higher beginning balance of currency holdings for 2016 largely as a result of the catch-up in banknote delivery in 2015.

c. The reduction in the account was due to the drop in the volume of semi-processed panned gold sold to BSP upon imposition by the BIR of the two per cent (2%) excise tax and five per cent (5%) creditable withholding tax on gold panners effective 11 July 2011.

d. The growth was attributed to the CY 2016 production of gold grains and gold sheets of 235.934 FTO amounting to PHP14.38 million.

22. MISCELLANEOUS ASSETS

	Note	2016	2015 (as restated)
Withholding tax at source	a	1,066,884,073	901,896,869
Prepaid expenses	b	225,567,365	208,494,965
Other supplies		355,307,507	254,886,157
Paintings and sculptures	c	131,153,858	124,616,411
Deposits - utilities and services	d	47,115,991	62,547,709
Stocks and other securities	e	30,130,500	30,275,680

	Note	2016	2015 (as restated)
Input tax	f	13,507,193	27,262,788
Numismatic collections on hand		21,831,099	21,831,099
Assets for disposal		83,075,567	14,043,464
Creditable tax certificates		4,835,087	4,835,087
Semi-expendable property		8,293,356	3,975,204
Items for exhibit		1,040,681	1,040,681
BSP Inter-office reciprocal account		0	206,837
Commemorative notes and coins		93,482	117,854
Land under usufruct	g	82,275	82,275
Checks and other cash items		98,193	43,483
Checks and other cash items in-transit		0	3,984
Demonetized commemorative coins		370	1,650
Due from PICC	h	11,510,539	(43,182,208)
Philpass-RMASS account		0	(19,719)
Total		**2,000,527,136**	**1,612,960,270**

	Balance, 31 December 2015 before adjustments	Adjustments	Balance, 31 December 2015, as restated
Withholding tax at source			
- Unrecorded CWT on processing fees collected in previous year	901,652,570	244,299	901,896,869
Other supplies	132,646,081	122,240,076	254,886,157
- Utilization of supplies and materials in-stock		(2,446,019)	
- To include Building Materials in-stock of SPC presented as Factory Supplies in 2015		14,805,309	
- To include Spare Parts in-stock of SPC presented as Factory Supplies in 2015		109,880,786	
Paintings and sculptures			
- to record Paintings as per COA AOM Recommendation	124,611,921	4,490	124,616,411
Numismatic collections on hand			
- Reclassification from/to PPE Account	21,902,959	(71,860)	21,831,099
Assets for disposal			
- Derecognition of PPE sold/donated	14,663,549	(620,085)	14,043,464
Semi-expendable property	3,968,795	6,409	3,975,204
- To recognize as expense properties with PHP10,000 below unit cost acquired in prior year.		(22,821)	
- Unrecorded previous year's supply & delivery of various purchased		29,230	
Checks and other cash items			
- Overpayment of Salaries & Related Accounts	33,483	10,000	43,483

a. The taxes withheld were largely from supervisory and other bank fees, interest income from loans, income from payments and settlements transactions and service fees on deposit of notes.

b. The account includes taxes withheld from purchases of short-term government securities which are later recognized as expense upon maturity. The increment of PHP17.07 million or 8.19 per cent was principally due to the increase in realty taxes of BSP properties and prepaid expenses of PICCI.

c. The change in the account was brought about by the Bank's acquisition of various paintings of renowned artists.

d. The diminution was due to the partial refund of power bill deposits with Manila Electric Company (MERALCO).

e. Breakdown includes the following:

Particulars	Amount
PICCI investments	29,520,000
Proprietary membership share	601,000
Telephone companies stocks	9,500
Total	**30,130,500**

The slight decline in the balance was due to the write-off of the BSP's proprietary membership shares in resorts and sports clubs amounting to PHP140,000.00 and holdings of telephone company stocks amounting to PHP5,180.00.

f. The amount represents refund of customs duties, taxes, fees, etc. earlier paid in protest by the Bank from CY 1996 to CY 1998 for the importation of various spare parts by CD evidenced by tax credit certificates issued by the Bureau of Customs on 23 December 2008 in favor of the BSP. It also includes input taxes claimed by the MROD from the suppliers of blister packaging, wooden medal boxes and clear plastic capsules for Papal coins.

g. Survey fee and other incidental expenses incurred for the subject lot reserved for BSP to which it acquired the right to construct its building complex and use of the property pursuant to Proclamation No. 473 dated 30 September 1994. At present, the subject property is where the BSP Dagupan Branch building is located.

h. The account refers to the approved budget of the PICCI for capital expenditures (CAPEX) advanced by the BSP subject to liquidation. The account is credited for the liquidation of disbursements for CAPEX and remittance of unutilized budget.

23. SHORT-TERM FOREIGN CURRENCY DEPOSITS

	Note	2016	2015
National Government	a	11,019,869,316	40,785,804,588
Other entities	b	50,835,559	47,783,723
		11,070,704,875	40,833,588,311
Accrued interest		425,372	6,063,282
Total		**11,071,130,247**	**40,839,651,593**

a. These represent foreign currency denominated time and special accounts deposits of the TOP arising from receipts of loan proceeds from foreign creditors, as follows:

	2016	2015
National Government		
TOP-Time Deposits	5,275,514,000	33,397,238,400
TOP-Special Accounts	5,744,355,316	7,388,566,188
Total	**11,019,869,316**	**40,785,804,588**

b. These are short-term deposits of other entities representing proceeds of foreign funds deposited with the BSP by government-owned or controlled corporations intended for foreign funded projects, as follows:

	2016	2015
Other Entities		
NPC	37,550,134	35,205,961
PSALM	11,517,632	10,904,132
North Luzon Railways	1,753,125	1,659,743
MWSS	14,668	13,887
Total	**50,835,559**	**47,783,723**

24. LOANS PAYABLE

	Note	2016	2015
Maturing in more than 5 years			
Blocked peso deposit (Circular 1202)	a	24,530,449	24,104,826
Blocked peso deposit (Circular 1139)	a	0	1,143,490
Blocked peso deposit (Circular 1298)	a	0	17,518,605
CB Memorandum Circular (at original cost PHP14.00)	b	3,845,927	3,845,927
Total		**28,376,376**	**46,612,848**

a. These are local currency deposits of original public sector borrowers (NG, government-owned or controlled corporations and government financial institutions) used to cover for their FX loan amortizations that were transferred to the then Central Bank of the Philippines (CBP) on the date the amortizations fell due. These deposits were later registered with the BSP under various foreign loan restructuring arrangements. The full settlement of FLP Blocked Peso Deposits Circular Number 1139 on 29 December 2016 and FLP-BPD 1298 on 6 October 2016 contributed mainly to the significant drop in the outstanding balance of the account.

b. This pertains to Term Loan Facility representing forward exchange cover granted by the then CBP for the Philippine Sugar Commission (now Sugar Regulatory Administration) through Republic Planters Bank (RPB) pursuant to Memorandum Circular dated 05 December 1983.

25. BONDS PAYABLE

	Note	2016	2015
Bonds due 2027	a	19,907,600,000	18,847,200,000
Bonds due 2097		4,976,900,000	4,711,800,000
		24,884,500,000	23,559,000,000
Less: Discount on bonds		(88,379,963)	(84,307,250)
		24,796,120,037	23,474,692,750
Accrued interest		95,114,089	90,047,733
Total		**24,891,234,126**	**23,564,740,483**

a. These are "Yankee Bonds" issued by BSP on 24 June 1997. However, bonds worth USD5.95 million or PHP0.292 billion were acquired by BSP in the open market. The bonds acquired are recorded as investment in "Foreign Currency denominated securities - Non-IR FX Assets" in line with the terms and conditions of the BSP Yankee Bonds.

26. ALLOCATION OF SPECIAL DRAWING RIGHTS

	2016	2015
Allocation of SDRs	56,064,832,440	54,713,083,404
Accrued interest	20,054,660	4,571,803
Total	**56,084,887,100**	**54,717,655,207**

SDR Allocation is a low cost way of adding to members' international reserves, allowing members to reduce their reliance on more expensive domestic or external debt for building reserves. This is a long term liability with no maturity date. This account will only become due upon demand by the IMF or when the Philippines ceases to be a member of the IMF.

27. OTHER LIABILITIES

	Note	2016	2015 (as restated)
Foreign currency financial liabilities			
Accounts payable		1,646,683,600	1,589,185,383
Accrued expenses		220,137,880	251,531,521
Derivatives liability		0	9,418,452
Other financial liabilities		1,021,403,610	217,654,680
Total		**2,888,225,090**	**2,067,790,036**
Local currency non-financial liabilities			
Retirement benefit obligations		2,499,889,130	2,374,938,393
Dividends payable	a	449,345,216	449,345,216
Miscellaneous liabilities		6,081,491,051	5,547,159,462
Accounts payable		2,466,721,376	2,789,608,139
Taxes payable		1,294,859,749	1,413,908,586
Accrued expenses		44,306,795	78,238,254
Other local currency liabilities	b	2,275,603,131	1,265,404,483
Total		**9,030,725,397**	**8,371,443,071**

	Balance, 31 December 2015, before adjustments	Adjustments	Balance, 31 December 2015, as restated
Local currency Non-Financial Liabilities			
Retirement benefit obligations			
- Overpayment of Salaries & Related Accounts	2,374,944,979	(6,586)	2,374,938,393
Miscellaneous liabilities	5,602,391,601	(133,470,393)	5,468,921,208
Accounts payable	2,890,820,649	(101,212,510)	2,789,608,139
- Erroneous recognition of bidders bond/cash advance liquidation/ medical expenses		1,314,399	
- Unrecorded expenses due to DV submitted beyond cut off period		28,525,403	
- Capitalization of foreclosure expenses to Investment Property		(30,740,815)	
- Adjustments on sale/cancellation of sale and redemption of acquired assets		(91,374,010)	
- Over set-up of accounts payable		(4,248,678)	
- Collection of prior period income		(4,137,329)	
- Overpayment of personnel services		(28,549)	
- Adjustment on application of payment		(522,931)	
Taxes payable	1,412,556,673	1,351,913	1,413,908,586
- Collection of prior period income		13,446	
- Over set-up of accounts payable		(287,291)	
- Overpayment of personnel services		(103,409)	
- Unrecorded expenses due to DV submitted beyond cut off period		1,729,167	
Other local currency liabilities	1,299,014,279	(33,609,796)	1,265,404,483
Deferred income			
- Income realized from APEC Fund and write off of past due accounts		(9,571,991)	
Deposit from leased properties			
- Payment of electricity and water for the previous year		(217,630)	
Deferred tax liabilities			
- Reapplication of payment and reversal of receivable due to free-rent period		(768,773)	
Unrealized profit on assets sold			
- Recognition of realized profit from collection of prior years' income		(23,051,864)	
Unearned interest income-SCR			
- Collection of prior period income		462	

a. The amount refers to the total assigned value of the Pamintuan Mansion in Angeles City together with thirteen (13) other properties for conveyance to the NG as property dividend for CY 2009 per MBR No. 761 dated 4 June 2010. This was decreased by the dividend deficiency for CY 1995 remitted to the NG in

February 2014 through credit to the Regular Demand Deposit Account (RDDA) of the TOP-Treasury Single Account maintained with the BSP. The Deed of Conveyance is still with the NG for signature.

b. The PHP317.00 million APEC funds received from the NG per SARO No. F-13-01344 dated 27 December 2013, for the implementation of various PICC building and facilities rehabilitation projects was reclassified from “Donated Surplus Account” to “Deferred Income Account” on 29 December 2016 pursuant to PAS 20, Accounting for Government Grants and Disclosures of Government Assistance. The deferred income is recognized in profit and loss on a systematic basis over the useful lives of the assets.

28. DEPOSITS

	Note	2016	2015 (as restated)
Government deposits			
Short –term	a.1	98,420,116,859	358,470,559,145
Long – term	a.2	28,265,953,299	28,265,953,299
		126,686,070,158	386,736,512,444
Accrued interest		958,130,959	1,913,511,742
Total		**127,644,201,117**	**388,650,024,186**
Demand Deposits			
Banks/NBQBs-reserve deposits	b.1	1,633,235,188,335	1,461,520,030,219
Others		29,839,785,860	29,870,211,734
		1,663,074,974,195	1,491,390,241,953
Accrued interest		344,447,573	344,447,573
Total		**1,663,419,421,768**	**1,491,734,689,526**
IMF and other financial institutions	c.1	**111,089,598,361**	**39,346,194,042**

	Demand Deposits – Banks/NBQBs	Demand Deposits – Others
Balance, 31 December 2015, before adjustments	1,461,519,980,095	29,871,571,215
Add/(deduct):		
Adjustment due to over collection of penalty	50,124	
Overpayment of Salaries & Related Accounts		(1,359,481)
Balance, 31 December 2015, as restated	**1,461,520,030,219**	**29,870,211,734**

a. Government deposits

a.1 Short-term deposits include NG’s peso regular and special deposit accounts (except Special Account No. 2) that are paid four per cent (4%) interest rate per annum up to 4 August 2013 and fixed term deposits with interest rate based on weekly treasury bills auction rate. The interest rate was reduced from four per cent (4%) to two per cent (2%) effective on 05 August 2013 up to 11 August 2013 as per MBR No. 1250.A dated 01 August 2013. Effective 12 August 2013 and onward, the interest rate used is “One minus the Reserve Requirement (RR) rate multiplied by the Special Deposit Account

(SDA) rate (1-RR rate x SDA rate) as approved under MBR Nos. 1301 and 1308 both dated 08 August 2013. Effective 3 June 2016, the Overnight Deposit Facilities (ODF) replaced the SDA per MBR No. 961 dated 2 June 2016, and thus, as the factor in the computation of the interest rate.

a.2 The long-term deposit is backed by the PHP50 billion 1993 25-Year Treasury Bonds. This deposit earns the same interest rate as that of the Treasury Bonds.

b. Demand deposits of banks/non-banks with quasi-banking licenses

b.1 Effective 6 April 2012, deposits maintained by banks with the BSP in compliance with the reserve requirements was no longer paid interest as per MBR No. 1924 dated 27 December 2011 and BSP Circular No. 753 dated 29 March 2012. Before its implementation, forty per cent (40%) of the required reserves (excluding liquidity reserve) or demand deposit balance maintained with the BSP, whichever is lower, was paid interest at four per cent (4%) per annum. The interest was previously credited to the demand deposit accounts on a quarterly basis.

c. IMF currency holdings and other financial institutions

c.1 The ROP has been a member of the IMF since 1945. BSP is the designated depository for the IMF's holdings of local currency. The IMF's (Account No. 1) holdings of local currency amounted to an equivalent of SDR1.666 billion at 31 December 2016.

The balance of IMF's security holdings (SDR99.10 million) that includes non-negotiable, non-interest bearing security encashable on demand and issued in the favor of the IMF, is held by the BSP on a custodial basis in its capacity as the IMF's depository.

The IMF revalues its local currency holdings on 30 April of each year at which time a currency valuation adjustment arises. For CY 2016, the Peso depreciated by PHP3.989 against the SDR, from the peso/SDR exchange rate of PHP62.304/SDR as at 30 April 2015 to PHP66.293/SDR as at 30 April 2016. The peso depreciation resulted in a revaluation loss of PHP2.433 billion. The revaluation is solely attributable to the NG since BSP has already fully paid its credit availments from Standby Credit Facility (SCF) and Extended Fund Facility (EFF) since December 2006. BSP booked the revaluation loss as addition to the receivable from NG under the account "Accounts Receivable-TOP".

As at 31 December 2016, IMF Summary Statement of Position showed that the total IMF currency holdings aggregated to PHP118.100 billion consisting of the balances of "Account Nos. 1 and 2" of PHP110.968 billion, security holdings of PHP6.599 billion and accrued revaluation loss of PHP0.533 billion (covering the period May 2016 to December 2016). The valuation adjustments shall be booked in May 2017 to coincide with the IMF's records.

29. CURRENCY IN CIRCULATION

	2016	2015
Currency notes issued	1,513,281,498,680	1,465,079,620,505
Cash on hand - notes	(418,957,808,975)	(487,658,481,810)
Net notes in circulation	**1,094,323,689,705**	**977,421,138,695**
Currency coins issued	30,564,915,323	28,755,067,835
Cash on hand - coins	(696,028,195)	(981,270,766)
Net coins in circulation	**29,868,887,128**	**27,773,797,069**
Currency in Circulation, 31 December	**1,124,192,576,833**	**1,005,194,935,764**

Inventory of Currency Issued

	January 1 2016	Requisitions from CID	Retirement	December 31 2016
Currency issued				
Notes	1,465,079,620,505	944,202,274,080	896,000,395,905	1,513,281,498,680
Coins	28,755,067,835	1,826,823,160	16,975,672	30,564,915,323
	1,493,834,688,340	**946,029,097,240**	**896,017,371,577**	**1,543,846,414,003**
Cash on hand				
Notes				418,957,808,975
Coins				696,028,195
Total Held in BSP-CMSS and RMASS				**419,653,837,170**
Total currency in circulation				**1,124,192,576,833**

Details of currency in circulation are as follows:

		Quantity (No. of Pcs)		Amount	
	Denomination	**2016**	**2015**	**2016**	**2015**
Notes	100,000	127	127	12,700,000	12,700,000
	2,000	35,236	34,432	70,472,000	68,864,000
	1,000	735,417,109	630,847,197	735,417,109,000	630,847,197,000
	500	445,919,519	440,561,426	222,959,759,500	220,280,713,000
	200	29,515,283	24,921,546	5,903,056,600	4,984,309,200
	100	750,335,884	699,423,196	75,033,588,400	69,942,319,600
	50	610,772,299	566,940,849	30,538,614,950	28,347,042,450
	20	1,179,216,173	1,106,028,867	23,584,323,460	22,120,577,340
	10	65,591,142	66,763,551	655,911,420	667,635,510
	5	29,630,875	29,956,119	148,154,375	149,780,595
		3,846,433,647	3,565,477,310	1,094,323,689,705	977,421,138,695
Coins	10 - Piso	716,769,450	664,954,066	7,167,694,500	6,649,540,660
	5 - Piso	2,263,112,653	2,140,714,718	11,315,563,265	10,703,573,590
	1 - Piso	8,521,879,193	7,806,769,400	8,521,879,193	7,806,769,400
	25 - Sentimo	8,533,361,376	7,765,093,789	2,133,340,344	1,941,273,447
	10 - Sentimo	3,523,315,736	3,269,169,065	352,331,574	326,916,906
	5 - Sentimo	2,758,090,561	2,514,761,075	137,904,528	125,738,054
	1 - Sentimo	35,280,006	32,060,173	352,800	320,602
		26,351,808,975	24,193,522,286	29,629,066,204	27,554,132,659

Denomination	Quantity (No. of Pcs) 2016	2015	Amount 2016	2015
Commemorative coins	4,158,144	3,784,034	239,820,924	219,664,410
	26,355,967,119	24,197,306,320	29,868,887,128	27,773,797,069
Total currency in circulation, 31 December	**30,202,400,766**	**27,762,783,630**	**1,124,192,576,833**	**1,005,194,935,764**

30. REVALUATION OF FOREIGN CURRENCY ACCOUNTS

	2016	2015 (as restated)
Unrealized gains/(losses) on FX Rate Fluctuations		
Beginning balance, January 1	111,636,138,376	(59,563,524,619)
Add/(deduct):		
- Unrealized gains/(losses) for the year (net of realized transactions)	212,759,272,390	171,185,215,470
- Restatement 2015 Surplus beginning due to closing of RIR to proper account		14,447,525
Sub-total	212,759,272,390	171,199,662,995
Ending balance, December 31	324,395,410,766	111,636,138,376
Unrealized gains(losses) on Price Fluctuations		
Beginning balance, January 1	(37,725,112,049)	17,899,304,074
Add/(deduct):		
- Unrealized gains/(losses) for the year (net of realized transactions)	12,856,901,980	(55,624,235,187)
- Restatement 2015 Surplus beginning due to difference in net asset value upon change of custodian		(180,936)
Sub-total	12,856,901,980	(55,624,416,123)
Ending balance, December 31	(24,868,210,069)	(37,725,112,049)
Unrealized gains(losses) on FX Rate and Price Fluctuations, December 31	**299,527,200,697**	**73,911,026,327**

31. CAPITAL ACCOUNTS

	Note	2016	2015 (as restated)
Capital	a	50,000,000,000	50,000,000,000
Surplus	b	(66,847,215,723)	(84,446,183,041)
Unrealized losses on Investments	c	(2,495,068,387)	(2,975,701,228)
Capital Reserves		77,697,634,943	77,796,017,271
Managed Funds			
Fidelity insurance fund		22,247,379,248	22,247,379,248
Currency insurance fund		2,798,665,272	2,798,665,272
BSP Properties self-insurance fund		1,950,000,000	1,950,000,000
Retirement benefit fund		1,118,084,425	1,141,147,061
Directors'/officers' liability		1,092,289,420	1,092,289,420
		29,206,418,365	29,229,481,001
Other Fund			
Fluctuations in price of gold		42,582,587,455	42,582,587,455
Contingencies		3,644,871,739	3,646,871,739
Property insurance		1,600,000,000	1,600,000,000

	Note	2016	2015 (as restated)
SPC rehabilitation		610,010,469	676,565,094
Cultural properties acquisition fund		44,413,298	51,178,365
Gold insurance fund		9,333,617	9,333,617
		48,491,216,578	48,566,536,270
Total		**58,355,350,833**	**40,374,133,002**

a. The required capitalization of the BSP in the amount of PHP50 billion pursuant to Section 2, paragraph 2 of RA No. 7653, was fully subscribed by the Government of the ROP.

The PHP10 billion initial capitalization had been fully paid for by the Government upon effectivity of RA No. 7653 in 1993. An additional capital of PHP10 billion from the NG was credited on 04 November 2011 as per the BTr Debit Authority No. A.a 2011-11-2179 dated 04 November 2011, as equity infusion to ensure monetary and financial stability. Subsequently, the BSP received another PHP20 billion capital from the NG in the form of LBP checks dated 28 December 2012 issued by the BTr, in accordance with Special Allotment Release Order (SARO) Nos. F-12-01423 and F-12-01424 issued by the DBM. As indicated in the Debit Authority and SAROs, the releases form part of the fiscal years 2011 and 2012 Disbursement Acceleration Program (DAP) approved by the President on 12 October 2011 and 21 December 2012, respectively. The balance of PHP10 billion representing full payment of BSP capitalization was credited on 02 January 2014 per BTr Debit Authority No. GF-2014-01-0013 dated 02 January 2014.

In accordance with PAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, the Surplus for calendar year 2015 is restated as follows:

Surplus, 1 January 2015, before adjustments	(79,633,103,012)
Add/(deduct):	
Restatement of adjustments on income and expenses prior to CY 2015	(827,738,383)
Surplus, 1 January 2015, as restated	(80,460,841,395)
Add/(deduct):	
Transactions for CY 2015	432,484,619
Surplus, 31 December 2015, before net loss	(80,028,356,776)
Net loss for the period, before adjustments	(4,453,142,672)
Add/(deduct):	
Restatement on income and expenses for CY 2015	35,316,407
Net loss for the period, as restated	(4,417,826,265)
Surplus, 31 December 2015, as restated	**(84,446,183,041)**

The details of restated prior period adjustments on income and expenses and transactions for CY 2015 are presented in the Statement of Changes in Equity.

b. The amount represents unrealized gains/(losses) from investment in local government securities classified as available for sale. This account was created to recognize the marking-to-market of investments in government securities.

The movement in reserve for unrealized gains/(losses) on investments is summarized as follows:

	2016	2015
Beginning balance	(2,975,701,228)	(3,311,669,996)
Effect of marking to market of gov't securities -		
Increase/(decrease) in government securities	480,632,841	335,968,768
Ending balance	**(2,495,068,387)**	**(2,975,701,228)**

32. INTEREST INCOME AND INTEREST EXPENSES

	2016	2015 (as restated)
Interest income from financial assets		
Interest income from foreign currency financial assets		
Investment securities	31,644,884,917	26,776,026,052
Other foreign currency receivables	3,093,868,416	3,805,011,350
Deposit with foreign banks	6,027,148,230	2,342,607,691
IMF special drawings rights	49,909,691	27,971,418
Gold Deposits	12,905,086	4,441,280
Loans and advances	688,593	393,377
Due from/(to) broker	110,821	64,590
	40,829,515,754	32,956,515,758
Interest income from local currency financial assets		
Investment securities	3,968,050,627	4,348,623,963
Loans and advances	1,756,161,578	1,696,630,984
Other receivables	271,808,728	199,903,212
	5,996,020,933	6,245,158,159
Total	**46,825,536,687**	**39,201,673,917**

Interest income from foreign currency financial assets	
Interest income on Investment Securities, 31 December 2015, before adjustments	26,769,037,329
Add:	
Adjustment on securities lending income earned on December 2015 but received in 2016 with no prior period provision for accrual	6,988,723
Interest income on Investment Securities, 31 December 2015, as restated	**26,776,026,052**

Interest income on Deposit with Foreign Banks, 31 December 2015, before adjustments	2,340,155,358
Add:	
Adjustment on securities lending income earned on December 2015 but received in 2016 with no prior period provision for accrual	2,452,333
Interest income on Deposit with Foreign Banks, 31 December 2015, as restated	**2,342,607,691**

Interest income on Gold Deposits, 31 December 2015, before adjustments	4,177,831
Add:	
Adjustment on income accrued on Gold Deposits due to erroneous rate used	263,449
Interest income on Gold Deposits, 31 December 2015, as restated	**4,441,280**

Interest income on Loans and advances, 31 December 2015, before adjustments	1,696,726,998
Deduct:	
Reapplication/adjustment of payments	(96,014)
Interest income on loans and advances, 31 December 2015, as restated	**1,696,630,984**

Interest income on other receivables, 31 December 2015, before adjustment	199,542,311
Add:	
Adjustments on sale of Acquired Assets in 2015 recorded in current year (2016)	360,901
Interest income on other receivables, 31 December 2015, as restated	**199,903,212**

	2016	2015
Interest expense from financial liabilities		
Interest expense on foreign currency financial liabilities		
Bonds payable	2,067,865,916	1,987,309,889
Short term deposits	109,150,453	32,834,312
Allocation of IMF special drawing rights	46,654,384	26,580,239
	2,223,670,753	2,046,724,440
Interest expense on local currency financial liabilities		
Special deposit account	10,249,990,729	24,329,678,767
Securities sold under agreements to repurchase	10,699,075,667	12,388,767,417
Government deposits	6,058,255,413	10,024,381,572
Deposits of banks and other financial institutions	14,389,007,364	0
	41,396,329,173	46,742,827,756
Total	**43,619,999,926**	**48,789,552,196**

33. OTHER OPERATING INCOME

	2016	2015 (as restated)
Printing, minting and refinery	661,162,216	1,591,932,974
Fees – local		
Banking supervision/clearing/license fees	4,247,747,108	3,676,118,667
Processing and filing fees	170,668,109	1,343,262,235
Penalties and late charges	1,209,064,861	276,837,456
Transaction fee - PhilPaSS	141,635,235	133,895,819
Others	221,949,558	182,992,489
	5,991,064,871	5,613,106,666
Other income		
Income on acquired assets	570,076,858	218,212,752
Rental on acquired assets	41,380,268	34,249,858
Rental on building and facilities	273,784,691	357,457,918
Other miscellaneous income	346,685,863	512,584,124
	1,231,927,680	1,122,504,652
Total	**7,884,154,767**	**8,327,544,292**

	Banking Supervision/ Clearing/License Fees	Penalties and Late Charges
Balances, 31 December 2015, before adjustments	3,676,119,181	272,014,744
Add/(deduct):		
Effect of restatement of prior period adjustments:		
Adjustments on sale/cancellation of sale/redemption of acquired assets		1,928,106
Adjustment to correct account balances		1,688,782
Reapplication/adjustment of payments		1,022,128
Prior year's supervision fee/penalties	(514)	183,696
	(514)	4,822,712
Balances, 31 December 2015, as restated	**3,676,118,667**	**276,837,456**

	Income on Acquired Assets	Rental on Acquired Assets	Other Miscellaneous Income
Balances, 31 December 2015, before adjustments	158,090,824	39,209,656	503,229,104
Add/(deduct):			
Effect of restatement of prior period adjustments:			
Adjustments on sale/redemption of acquired assets in 2015 recorded in current year	60,121,928		429,414
Reversal of lease receivable/rental income due to free-rent period		(4,959,798)	
Income realized from APEC fund for 2015			8,784,158
Reapplication/adjustment of payments			209,341
Reversal of AR due to restructuring			(67,893)
	60,121,928	(4,959,798)	9,355,020
Balances, 31 December 2015, as restated	**218,212,752**	**34,249,858**	**512,584,124**

34. CURRENCY PRINTING AND MINTING COST

	2016	2015
Notes	6,816,648,707	6,032,917,492
Coins	2,422,854,648	2,151,744,312
Total	**9,239,503,355**	**8,184,661,804**

35. OPERATING EXPENSES

	2016	2015 (as restated)
Personnel services, development and training	12,580,311,713	11,352,706,333
Administrative expenses	2,874,318,250	3,034,980,652
Depreciation/amortization	769,809,995	704,215,634
Loss due to market decline	(36,356,187)	(1,086,686,970)
Total	**16,188,083,771**	**14,005,215,649**

Effective January 2015, the PICCI expenses with similar accounts to BSP are consolidated on a line-by-line basis while dissimilar items are lodged under the summary account 'Miscellaneous Expense-PICCI".

a. PERSONNEL SERVICES

	2016	2015 (as restated)
Salaries and wages	9,031,906,522	7,838,428,200
Defined contribution plans	2,226,393,927	1,875,104,806
Post-retirement benefits	378,481,700	802,576,500
Social security contribution	502,650,502	426,215,740
Sickness and death benefits	262,738,054	249,382,087
Personnel development and training	165,707,994	148,688,860
Medical and dental benefits	12,433,014	12,310,140
Total	**12,580,311,713**	**11,352,706,333**

The following personnel services account balances as of 31 December 2015 are restated as follows:

Accounts	Balance, 31 December 2015, before adjustments	Prior Period Adjustments	Balance, 31 December 2015, as restated
Salaries and wages	7,839,547,926	(1,119,726)	7,838,428,200
Defined contribution plans	1,875,503,146	(398,340)	1,875,104,806
Social security contribution	426,304,196	(88,456)	426,215,740
Sickness and death benefits	249,274,401	107,686	249,382,087
Personnel development and training	147,944,261	744,599	148,688,860
Medical and dental benefits	12,310,112	28	12,310,140
	10,550,884,042	**(754,209)**	**10,550,129,833**

b. ADMINISTRATIVE EXPENSES

	2016	2015 (as restated)
Repairs and maintenance	470,002,481	515,820,200
Currency and gold operations expenses	318,891,889	318,345,734
Traveling expenses	322,468,559	305,483,449
Water, illumination and power services	290,413,573	283,217,350
Communication services	266,449,498	247,177,040
Acquired assets expenses	247,514,743	163,532,529
Consultants and specialist services	127,767,193	125,840,781
Taxes and licenses	143,109,735	140,036,568
Fidelity and property insurance	71,507,334	67,672,826
Conference, workshop and convention expenses	60,458,764	63,869,546
Grants, subsidies and contributions	24,578,404	56,741,994
Supplies and materials	50,574,295	54,993,559
Auditing services	39,071,718	40,602,834
Rentals	26,992,790	25,232,047
Ammunitions	2,497,702	5,334,867
Discretionary expenses	4,181,126	3,833,228
Bad debts	6,322,856	692,921
Others	401,515,590	616,553,179
Total	**2,874,318,250**	**3,034,980,652**

The following administrative expense account balances as of 31 December 2015 are restated as follows:

Accounts	Balance, 31 December 2015, before adjustments	Prior Period Adjustments	Balance, 31 December 2015, as restated
Repairs and maintenance	491,258,555	24,561,645	515,820,200
Currency and gold operations expenses	316,068,234	2,277,500	318,345,734
Traveling expenses	305,297,919	185,530	305,483,449
Communication services	246,888,802	288,238	247,177,040
Acquired assets expenses	183,585,983	(20,053,454)	163,532,529
Consultants and specialist services	123,678,700	2,162,081	125,840,781
Conference, workshop and convention expenses	63,102,030	767,516	63,869,546
Grants, subsidies and contributions	56,738,217	3,777	56,741,994
Supplies and materials	52,615,673	2,377,886	54,993,559
Ammunitions	5,221,067	113,800	5,334,867
Discretionary expenses	3,883,228	(50,000)	3,833,228
Bad Debts	805,466	(112,545)	692,921
Others	599,567,868	16,985,311	616,553,179
Total	**2,448,711,742**	**29,507,285**	**2,478,219,027**

Taxes and licenses account balances for CYs 2016 and 2015 are reduced by the amounts of final taxes paid on interest income/discounts (presented as a separate line item in the Income Statement) and taxes and licenses paid on acquired assets (included in the total acquired assets expenses as shown in the succeeding table).

The acquired assets expenses consist of the following:

	2016	2015 (as restated)
Taxes and licenses	112,753,470	63,444,942
Security services	89,902,297	70,185,979
External professional services	21,049,379	11,828,604
Association condominium fees	9,949,759	9,116,931
Foreclosure expenses	8,496,163	1,495,994
Fidelity insurance	2,980,390	3,118,284
Legal fees	1,621,697	2,230,304
Repairs and maintenance	703,677	2,041,593
Light, fuel and water	57,911	69,898
Total	**247,514,743**	**163,532,529**

	Taxes and Licenses	Security Service	Foreclosure Expenses	Repairs and Maintenance
Balances, 31 December 2015, before adjustments	78,090,094	68,993,573	8,184,027	1,954,268
Add/(deduct):				
Effect of restatement of prior period adjustments:				
Erroneous recognition of taxes and licenses	(41,714)			

	Taxes and Licenses	Security Service	Foreclosure Expenses	Repairs and Maintenance
Capitalization of foreclosure expenses to investment property	(14,609,396)		(6,170,285)	
Unrecorded Expenses (DVs submitted beyond the cut-off period)	5,958	1,192,406	37,505	87,325
Expenses Incurred Reimbursed by Borrower			(555,253)	
	(14,645,152)	1,192,406	(6,688,033)	87,325
Balances, 31 December 2015, as restated	**63,444,942**	**70,185,979**	**1,495,994**	**2,041,593**

c. DEPRECIATION/AMORTIZATION

Depreciation of BPFFE and amortization of CNAS as at 31 December 2015 are restated as follows:

	Depreciation	Amortization	Total
Depreciation expense, 31 December 2015, before adjustments	599,506,467	88,960,737	688,467,204
Add/(deduct):			
Reclassification of PPE and adjustment on related depreciation	10,282,162	(3,470,457)	6,811,705
Unrecorded depreciation/amortization	8,591,765	344,960	8,936,725
	18,873,927	(3,125,497)	15,748,430
Depreciation expense, 31 December 2015, as restated	**618,380,394**	**85,835,240**	**704,215,634**

36. PROFIT FOR DISTRIBUTION

The BSP shall remit seventy-five per cent (75%) of its net profits to the NG as dividend as prescribed under Section 132 (b) of RA No. 7653.

	2016	2015 (as restated)
Net income/(loss) for the year	**17,814,958,864**	**(4,417,826,265)**

In accordance with PAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, the Net Loss for calendar year 2015 was restated as shown in Note 31. The details of restated prior period adjustments on income and expenses are presented in the Statement of Changes in Equity.

37. TRUST FUNDS

	Note	2016	2015
Comptrollership – Trust Fund Accounting System	a	25,053,146,602	25,078,266,390
FAD-General Accts. Financial Reports & Analysis Grp	b	2,224,341	0
Supervision & Examination Department-Rural Banks	c	2,218,083,061	2,217,286,336
Treasury Department-Domestic	d	1,890,260,323	1,948,647,997
Department of Loans and Credit-Accounting	e	468,672,526	437,349,567
Total		**29,632,386,853**	**29,681,550,290**

a. This consists of BSP self-insurance fund established for retirement benefits under RA 1616 and shipment of currency; and to augment the fidelity bond with the BTr for accountabilities in excess of PHP100 million.

b. This represents Personnel Human Resource Development (PHRD) grant from the World Bank-International Bank for Reconstruction and Development (WB-IBRD) for various training seminars on the upgrading of financial system framework of the ROP.

c. These are local counterpart funds, special agricultural rehabilitation funds and rural bank trust funds for various lending programs of the government and capital assistance to rural banks.

d. This pertains to Keppel Monte fund created to implement rehabilitation of Monte de Piedad Savings Bank; Comprehensive Agricultural Loan Fund (CALF) and Agro Industry Modernization Credit and Financing Program (AMCFP) of the Agricultural Credit Policy Council (ACPC) for various financing programs.

e. This refers to educational loan guarantee fund (ELGF) and other funds for the account of various closed banks.

38. CASH AND CASH EQUIVALENTS

	2016	2015 (as restated)
Foreign currency assets		
Foreign investments - readily convertible to cash	1,933,907,438,824	2,080,359,268,437
Deposit with foreign banks	896,876,964,590	650,136,830,282
Other cash balances (foreign currency on hand)	258,108,080	165,471,266
Non-IR foreign currency on hand	34,551,723	33,827,693
Other FX receivable - due from FX banks - special account	25,918,637	24,801,252
	2,831,102,981,854	2,730,720,198,930
Local currency assets		
Government securities	223,132,314,945	222,527,922,167
Other receivables - due from local banks	529,731,950	438,751,149
Other receivables - revolving fund	259,402,067	255,769,199
Miscellaneous assets - checks and other cash Items	(2,522,128)	(2,586,837)
	223,918,926,834	223,219,855,678

	2016	2015 (as restated)
Demand liabilities		
Deposit of banks and other financial institutions	(2,533,893,856,319)	(2,353,184,919,760)
Government demand deposits	(95,157,452,682)	(355,207,894,968)
	(2,629,051,309,001)	(2,708,392,814,728)
Cash and Cash Equivalents, 31 December	**425,970,599,687**	**245,547,239,880**

39. RECONCILIATION OF OPERATING CASH FLOW WITH REPORTED NET INCOME

	2016	2015 (as restated)
Reported operating surplus (deficit)	17,814,958,864	(4,417,826,264)
Operating cash flows from changes in asset and liability balances	(92,880,285,468)	(36,012,574,679)
Add/(deduct) non-cash items		
Depreciation/amortization	769,809,995	704,215,634
Provision for probable loss	439,701,815	352,708,477
Recovery from provision for market decline	(36,356,187)	(1,086,686,970)
Income tax expense/(benefit) due to movement in deferred income tax (DIT)	106,502,838	(333,339,134)
Amortization of discount on bonds payable	(4,072,712)	(3,701,574)
	1,275,585,749	(366,803,567)
Add/(deduct) movements in other working capital items:		
Increase/(decrease) in miscellaneous liabilities	(225,559,536)	1,103,143,246
Increase/(decrease) in interest payable	(1,009,955,348)	249,399,590
(Increase)/decrease in interest receivable	(2,825,503,460)	(3,172,619,987)
(Increase)/decrease in accounts receivable	673,772,539	(546,473,931)
	(3,387,245,805)	(2,366,551,082)
Add/(deduct) investing and financing activities		
Net realized gain on FX rates fluctuation	(19,123,837,557)	(11,550,014,769)
Net cash used in operating activities	**(96,300,824,217)**	**(54,713,770,361)**

40. TAXES

40.1 Income Taxes

The reconciliation of the provision for (benefit from) income tax computed at the statutory income tax rate shown for financial statement purposes to the actual provision (benefit) computed for income tax purposes is as follows:

	2016		2015	
	Amount	Per cent	Amount (as restated)	Per cent
Provision for income tax computed at the statutory income tax rate, before adjustments	5,138,711,918		(1,435,944,542)	
Add/(deduct):				
Restatements to financial statements computed at statutory rate	237,726,593		10,594,922	

	2016		2015	
	Amount	**Per cent**	**Amount (as restated)**	**Per cent**
Provision for income tax computed at the statutory income tax rate, as restated	5,376,438,511	(30.00)	(1,425,349,620)	(30.00)
Additions to/(reductions in) income tax resulting from the tax effects of:				
Non-deductible national taxes	257,846,180	(1.44)	269,169,332	5.67
Provision for allowance for doubtful accounts	104,813,693	(0.58)	172,290,697	3.63
Provision for unused leave credits	139,685,523	(0.78)	317,871,060	6.69
Interest Income subject to Final Tax	(1,190,415,688)	6.65	(1,304,587,189)	(27.46)
Prior year reversal of allowance for doubtful accounts	(67,787,701)	0.38	(31,090,927)	(0.66)
Actual leave credits paid	(103,250,731)	0.57	(82,133,243)	(1.73)
Income related to the sale of acquired assets	(164,336,917)	0.92	(60,715,146)	(1.28)
Provision for loss on market decline	(10,906,856)	0.06	(326,006,091)	(6.86)
PICC income and expenses	(428,529)	0	(35,323,832)	(0.74)
Debits on valuation allowance credited to Miscellaneous Income	(576,630)	0	(450,496)	(0.01)
Written-off accounts	(179,389,344)	1.00	(9,230,293)	(0.20)
Net Operating Loss Carry-Over applied in current year	(4,161,691,511)	23.22	0	0.00
	(5,376,438,511)	30.00	(1,090,206,128)	(22.95)
Actual provision for corporate income tax	**0**	**0**	**(2,515,555,748)**	**(52.95)**

Also presented above is the numerical reconciliation between the average effective tax rate and the applicable tax rate of thirty per cent (30%). The average effective tax rate, which is computed by dividing the tax expense (benefit) by the net financial income/(loss), explains the relationship between the tax expense (benefit) and the net financial income/(loss).

40.2 Deferred Income Taxes

The significant components of the Bank's deferred tax assets (DTA) as at 31 December are as follows:

	2016	2015
Deferred tax asset		
Allowance for doubtful accounts	1,767,858,984	1,910,796,614
Unused leave credits	745,437,364	709,002,572
Tax overpayments	4,262,855,229	4,640,120,746
Excess Minimum Corporate Income Tax (MCIT)	377,265,517	0
PICC unused tax credit (for consolidation purposes)	40,753,796	9,195,469
Total deferred income tax assets	**7,194,170,890**	**7,269,115,401**

The movement in DTA account is summarized as follows:

	2016	2015
Net balance at the beginning of the year, before adjustments	7,269,115,401	6,567,190,353
Add/(deduct):		
Excess Minimum corporate income tax	377,265,517	0

	2016	2015
Tax Overpayments utilized to pay MCIT incurred in current year	(377,265,517)	0
Temporary differences charged to income tax expense	(106,502,838)	367,453,955
PICC unused tax credits (for consolidation purposes)	31,558,327	(24,987,959)
	(74,944,511)	342,465,996
Net balance at the end of the year, before adjustments	7,194,170,890	6,909,656,349
Add/(deduct):		
Net adjustments to income tax overpayments	0	359,459,052
Net balance at the end of the year	**7,194,170,890**	**7,269,115,401**

Income tax overpayments recorded under the DTA account comprise the excess of BSP's quarterly payments of income taxes under regular rate over the regular income tax computed in its annual adjusted return. These overpayments are carried over as tax credits for the next taxable periods.

Excess MCIT, on the other hand, is the excess of the MCIT over the RCIT, which can be carried forward and credited against the computed RCIT for the three (3) immediately succeeding taxable years.

The temporary differences in the DTA charged to income tax expense comprise the following:

	2016	2015
Provision for allowance for doubtful accounts	104,815,983	172,487,027
Provision for unused leave credits	139,685,523	317,871,060
Reversal of account valuations	(68,364,270)	(31,540,596)
Actual leave credits paid	(103,250,731)	(82,133,243)
Written-off accounts	(179,389,343)	(9,230,293)
Temporary differences charged to income tax expense	**(106,502,838)**	**367,453,955**

Details of outstanding excess MCIT as at 31 December are as follows:

Year Incurred	**2016**	**2015**
2016	377,265,517	0

Details of outstanding net operating loss carry over (NOLCO) as at 31 December are as follows:

Year Incurred	**2016**	**2015 (as restated)**
2012		98,936,485,378
2013	20,250,633,213	20,250,633,213
2014	11,119,492,982	11,119,492,982
2015	8,385,185,827	8,385,185,827
	39,755,312,022	138,691,797,400

Year Incurred	2016	2015 (as restated)
Applied in current year		
2013	(13,872,305,036)	
Expired Portion		
2012		(98,936,485,378)
2013	(6,378,328,177)	
Outstanding NOLCO	19,504,678,809	39,755,312,022
Tax Rate	30%	30%
	5,851,403,643	**11,926,593,607**

NOLCO, 31 December 2015, before adjustments		8,346,497,753
Add/(deduct):		
Net restatement and adjustments on:		
Interest income from foreign currency financial assets		(9,704,504)
Management Fees to External Fund Managers		32,714
Interest income on loans and advances		96,014
Interest income on sale of assets owned or acquired		(360,901)
Banking supervision/clearing/license fees		514
Penalties and late charges		(4,822,712)
Income on acquired assets, net income restatement subject to final tax		
Net restatement	(68,521,473)	
Less: Restatement subject to final tax	(58,698,937)	(9,822,536)
Rental on building and facilities		4,959,798
Other miscellaneous income		(955,474)
Personnel services		(754,209)
Administrative expenses, net of restatement on non-deductible expenses		
Net restatement	29,507,285	
Less: Restatement on non-deductible expenses	(14,763,655)	44,270,940
Depreciation/amortization		15,748,430
		38,688,074
NOLCO, 31 December 2015, as restated		**8,385,185,827**

PAS 12 provides that DTA shall be recognized for the carry forward of unused tax losses to the extent that it is probable that the future taxable profit will be available against which the unused tax losses can be utilized. DTA related to NOLCO as shown above are not recognized as it is believed that future taxable profit will not be sufficient against which these unused tax losses can be applied. As further provided in PAS 12, the existence of unused tax losses is strong evidence that future taxable profits may not be available.

Similarly, the mark-to-market valuation of domestic securities booked directly to equity under the account "Unrealized Losses on Domestic Investments" are not considered as DTA components as the future taxable profit will not be sufficient to absorb these deductible temporary differences. The deferred tax asset that should have been recognized on the said mark-to-market account is PHP0.749 billion in 2016 and PHP0.893 billion in 2015.

The RIR account amounting to PHP299.525 billion is not included as a DTA component pursuant to Section 45 of RA 7653 which states that "profits or losses arising from any revaluation of the Bangko Sentral's net assets or liabilities in gold or foreign currencies with respect to the Philippine peso shall not be included in the computation of the annual profits and losses of the Bangko Sentral".

40.3 Additional Tax Information under Revenue Regulation (RR) No. 15-2010

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year 2016.

a. The BSP is a VAT-registered company with respect to its proprietary activities, with VAT output declared on these activities for the year amounting to PHP0.160 billion based on the rental of owned/acquired properties, sale of printing and other services, and other income from proprietary activities reflected in the Miscellaneous Income account of PHP1.331 billion.

b. The BSP has exempt sales corresponding to the sale of its real and other properties acquired (ROPA), classified as governmental functions exempt from VAT, pursuant to Revenue Memorandum Circular No. 65-2008 dated 5 September 2008. These properties are treated as capital assets and the sales were subjected to Capital Gains Tax.

c. Input VAT claimed during the year amounted to PHP0.002 billion recognized from local purchases of various goods and services.

d. All other taxes, local and national included in the Taxes and Licenses account under Operating Expenses in the Income Statement, excluding taxes and licenses paid by the PICCI, are as follows:

	2016	**2015 (as restated)**
Local Taxes		
Real estate tax	138,758,874	132,739,988
Taxes and licenses related to acquired assets	46,726,800	40,048,091
Others (registration fees, licenses, permits)	1,280,394	1,252,268
Total	**186,766,068**	**174,040,347**
National Taxes		
Capital gains tax on sale of acquired assets	66,026,671	23,396,850
Donor's tax	0	4,112,790
Total	**66,026,671**	**27,509,640**

Taxes and licenses related to acquired assets , 31 December 2015, before adjustments	40,042,134
Add/(deduct):	
Net Restatement of prior period adjustments	5,957
Taxes and licenses related to acquired assets, 31 December 2015, as restated	**40,048,091**

Capital gains tax on sale of acquired assets, 31 December 2015, before adjustments	38,047,960
Add/(deduct):	
Capitalization of foreclosure expense to investment property	(14,609,396)
Adjustments to correct account balance	(41,714)
Capital gains tax on sale of acquired assets, 31 December 2015, as restated	**23,396,850**

e. The amount of withholding taxes and collected excise tax which are paid/ accrued for the year amounted to:

	2016	2015
Final withholding tax on income	8,386,764,183	9,440,282,577
Withholding tax on compensation and benefits	2,297,675,300	1,915,152,922
VAT and other percentage tax withheld	1,918,714,774	2,001,925,003
Expanded withholding tax	97,374,711	99,961,098
Excise tax collected	14,895,860	15,759,781
Total	**12,715,424,828**	**13,473,081,381**

f. BSP has two (2) pending cases with the Court of Tax Appeals (CTA) pertaining to deficiency taxes assessed by BIR for taxable years 2009 and 2010:

- In 2013, the BSP was issued a Final Assessment Notice (FAN) for internal revenue taxes for taxable year 2009. The BSP partially resolved the tax audit for taxable year 2009 with payments for deficiency internal revenue taxes in the amount of PHP3.838 billion. The 2009 BIR assessment for final withholding of percentage tax amounting to PHP1.335 billion basic tax, and PHP1.037 billion interest as of 29 November 2013 remain unresolved and the same is subject of the case entitled Bangko Sentral ng Pilipinas vs Commissioner of Internal Revenue, docketed as CTA Case No. 8810.

- After the BSP filed a protest to the 27 December 2013 FAN issued by the BIR against BSP for 2010 deficiency taxes, the BSP, received on 2 May 2014 a Final Decision on Disputed Assessment (FDDA) amounting to PHP9.399 billion with interest of PHP6.242 billion computed as of 30 June 2014 and surcharges of PHP1.496 billion. To appeal the FDDA, the BSP filed the case entitled Bangko Sentral ng Pilipinas vs. Commissioner of Internal Revenue docketed as CTA Case No. 8827.

In relation to the partial resolution of tax audit for taxable years 2009, 2010 and 2011, the BIR issued Certificates of Availment and Approval of the various BSP applications for compromise and abatement/cancellation of penalties. However, the BIR issued a Notice of Denial of the BSP's application for compromise settlement amounting to PHP1.272 billion for the expanded withholding tax on domestic purchases of gold by BSP for taxable year 2009. On 01 December 2016, BSP filed its request with the BIR for the reconsideration and recall the Notice of Denial.

The BSP is also currently undergoing audit of its tax liabilities covering taxable years 2011 and 2012. For taxable year 2012, the BSP received on 19 January 2017 the Preliminary Assessment Notice (PAN) issued by the BIR assessing the BSP for alleged deficiency taxes amounting to PHP103.013 billion, inclusive of interest. On 03 February 2017, the BSP submitted its reply to the BIR's PAN requesting reconsideration of the deficiency tax assessment.