

**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”, as amended by RA 11211. 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, determines the exchange rate policy of the country, 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, EDC building, Cafetorium building, Multi-purpose building, Metropolitan Museum of Manila and BSP Money Museum, which showcases its collection of currencies.

The BSP in Quezon City, Philippines, houses the Security Plant Complex (SPC), Currency Issue and Integrity Office (CIIO) and the Metro Manila Currency Operations Sub-Sector (MMCOSS). These Sub-Sectors and the Regional Operations Sub-Sector (ROSS, situated at BSP Main) are under the Currency Management (CM) reporting directly to the Governor.

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

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 Bank. Under the amended Charter, the Governor with the approval of the MB shall appoint not more than five (5)

Deputy Governors who shall perform duties as may be assigned to them by the Governor and the Board. As of 31 December 2019, the deputy governor heads each of the three (3) existing operating sectors while the Governor heads the CM, with the following functions:

- a. Monetary and Economics Sector (MES) takes charge of the operations/activities related to monetary policy formulation, implementation and assessment.
- b. Financial Supervision Sector (FSS) regulates the banks and other BSP supervised financial institutions, as well as the oversight and supervision of financial technology and payment systems.
- c. Corporate Services Sector (CSS) oversees the effective management of corporate strategy and communications, as well as the human, financial, and physical resources to support the BSP's core functions.
- d. CM handles the forecasting, production, distribution and retirement of Philippine currency; production of security documents, commemorative medals and medallion; and the mint and gold refinery of the SPC. It also oversees the preservation of the integrity and issuance of currency to Cash Department (CD) and ROSS based on their requisitions, and the MMCOSS's cash operations within Metro Manila.

As at 31 December 2019, the BSP has a total personnel complement of 5,503 employees consisting of 5,293 regular and 210 contractual, distributed according to location, as follows:

Location	CY 2019	CY 2018	Change
Head Office	4,217	3,542	675
Regional Offices/ Branches	586	1,207	(621)
Security Plant Complex	700	778	(78)
<b>Total</b>	<b>5,503</b>	<b>5,527</b>	<b>(24)</b>



In these financial statements, the BSP is also referred to as the “Bank”. The MB has approved the release of the financial statements on 27 August 2020.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation of financial statements

Under Section 3 of The New Central Bank (RA 7653), as amended by RA 11211, the primary objective of the Bangko Sentral is to maintain price stability conducive to a balanced and sustainable growth of the economy and employment. In line with this

objective, the Bank's financial statements have been prepared in compliance with the provisions of RA 7653, as amended by RA 11211 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 PFRSs and 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 financial 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 balances for calendar year (CY) 2019 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 2019. 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, "An entity is related to a reporting entity if the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)."

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 CSS Deputy Governor as Vice-Chairman and five (5) members from private sector. Its principal officers are the general manager, the deputy general 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 its employees. The BSP provides the PICCI's 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 record the PHP50.000 million investment of the BSP in PICCI consisting of 500 shares of stock with par value of PHP100 thousand. 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.

## **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 presented in Philippine Peso (PHP), the functional currency, unless specifically disclosed. The currency symbol "PHP" is used in the financial statements to conform to universal currency symbols.

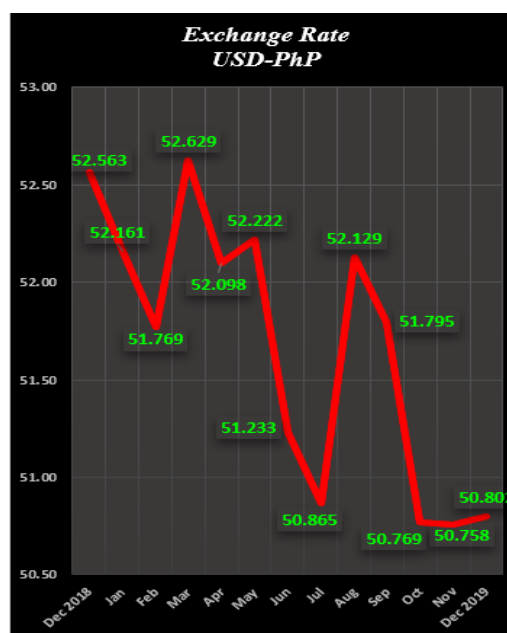
## 2.7 Foreign currency translation

Transactions denominated in foreign currency are translated to Philippine pesos (PHP) using exchange rates applied on settlement date of the transactions. Foreign currency assets and liabilities are translated to PHP using the weighted average exchange rate (WAER) at reporting date. Assets and liabilities denominated in third currencies (i.e. other than USD or PHP) are first converted to United States dollars (USD) then translated to PHP.

The WAER at reporting date is 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 Bankers Association of the Philippines USD/PHP spot trading rather than a closing rate which is based on the last transaction for the day. The use of WAER increased the foreign denominated assets and liabilities by PHP305.26 billion and PHP32.93 billion, respectively.

Exchange rates used are based on the published BSP Reference Exchange Rate Bulletin (RERB). The PHP versus the USD appreciated by PHP1.761 or 3.35%, from PHP52.563 as of end December 2018 to PHP50.802 as of end December 2019. The end-December 2019 rate of PHP50.802 was used in the financial statements. Following are the prevailing month-end WAERs in 2019.

For the Month Ended	Exchange Rate USD-PHP	Change
<b>2019</b>		
December	50.802	0.044
November	50.758	(0.011)
October	50.769	(1.026)
September	51.795	(0.334)
August	52.129	1.264
July	50.865	(0.368)
June	51.233	(0.989)
May	52.222	0.124
April	52.098	(0.531)
March	52.629	0.860
February	51.769	(0.392)
January	52.161	(0.402)
<b>2018</b>		
December	52.563	
<b>AVERAGE</b>	<b>51.603</b>	



## 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.

Payment of interest due on demand deposits of banks and other financial institutions maintained with the Bank was discontinued effective 6 April 2012, pursuant to MB Resolution (MBR) No. 1924 dated 27 December 2011 and Circular No. 753 dated 29 March 2012. 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 the Treasurer of the Philippines-Treasury Single Account (TOP-TSA), except for TOP-Special Account No. 2 under MBR No. 560, interests of which are also credited semi-annually to the regular DDA of TOP-TSA. On the other hand, interests on foreign currency deposits (FCDs) of the NG are credited to the FCD-TOP account of the TOP upon maturity of the funds that were placed in repurchase agreements and/or time deposits. In case of negative interest, the negative interest received from the counterparty/nostro banks will be pro-rated among the outstanding deposits of BSP, TOP and other Government-Owned and Controlled Corporations (GOCCs). The shares of the NG and other GOCCs will be subsequently debited to the FCD account of TOP and other GOCCs.

### **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 Department of Supervisory Analytics (DSA). On the other hand, Offshore Banking Unit's annual fees are collected by way of wire transfer through the Financial Market Operations Sub-Sector (FMOSS). Likewise, these entities pay penalties in violation of BSP's directives under the Manual of Regulations for Banks and Non-Banks Financial Institutions (MORB/MORNBF) 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 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 Gains or losses due to changes in price and exchange rates**

The BSP complies with the requirements of PAS 21 – The Effects of Changes in Foreign Exchange Rates and PFRS 9 - Financial Instruments 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 changes in price and exchange rates.

The BSP's practice recognizes unrealized gains or losses in accordance with Section 45 of the BSP Charter. Unrealized gains and losses due to changes in price and exchange

rates of financial assets, liabilities and derivative instruments are booked under “Revaluation of International Reserves” (RIR) account and presented either as asset (if loss) or liability (if gain). Realized gains or losses due to changes in price are recognized upon sale of gold and foreign or domestic securities. Meanwhile, gains or losses due to changes in exchange rates are realized only when (1) the foreign currency is repatriated to local currency, (2) the foreign currency is used to pay foreign obligations, or (3) upon maturity of a foreign currency-denominated derivatives contract involving the PHP. The 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 because the BSP is still exposed to FX rate fluctuations.

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

#### **2.8.4 Recognition of revenue on the disposal of BSP - acquired assets on installment basis**

Notwithstanding the provisions of PFRS 15 – Revenue from Contracts with Customers, the MB deemed appropriate to adopt the Installment method of accounting that would best reflect the income earned on the disposal of BSP-acquired assets. The accounting policy and procedures in recording the disposal or sale on installment basis of acquired assets are approved under MBR No. 1949 dated 13 December 2019.

### **2.9 Adoption of the applicable provisions of the PFRS 9 - Financial Instruments**

Effective 1 January 2019, the BSP adopted the applicable provisions of the PFRS 9 - Financial Instruments, which superseded PAS 39 – Financial Instruments: Recognition and Measurement, with regard to the classification and measurement of financial assets and financial liabilities; and the related impairment of financial assets, as aligned with the pertinent provisions of RA 7653, as amended by RA 11211, as approved under MBR No. 736 dated 16 May 2019.

#### **2.9.1 Classification and measurement**

The BSP shall classify its financial assets on the basis of both:

- a) the business model for managing the financial assets; and
- b) the contractual cash flow characteristics of the financial asset.

Based on the above criteria, the BSP’s financial assets are reclassified into a more appropriate classification in accordance with the requirement of PFRS 9 as aligned with the provisions of Section 45 of RA 7653, as amended by RA 11211, as follows:

<b>Classification Per</b>	
<b>PAS 39</b>	<b>PFRS 9 and RA 7653, as amended by RA 11211</b>
Loans & receivables (L&R)	Amortized cost
Held to maturity (HTM)	Amortized cost
Available for sale (AFS)	
- Foreign Securities	Fair value through revaluation reserves
- Domestic financial assets	Fair value through other comprehensive income

### **2.9.1.1 Amortized cost (AC)**

Financial assets are classified as AC if the two criteria are met:

- The financial assets are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flow and sale of the financial assets is incidental to the objective of the model (Hold-to-Collect business model); and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

AC financial assets are measured in the Balance Sheet using the effective interest rate method, with the carrying value adjusted by the expected credit loss (ECL) for each asset. The movement in the ECL impairment provision for these assets is recognized in the Income Statement.

The financial assets booked by the FMOSS classified as AC include deposits with foreign banks, foreign securities purchases under agreements to resell, Loan to International Monetary Fund (IMF), gold, IMF Special Drawing Rights (SDR), hold-to-collect investment securities, and overnight lending account under Loans and Advances. These assets meet the Hold-to-Collect business model and SPPI test.

Foreign currency denominated financial assets measured at AC are translated to PHP using WAER at reporting date. Change in FX rates is the difference between the prevailing FX rate and historical moving average FX rate. In compliance with Section 45 of the BSP Charter, the unrealized gains or losses due to change in FX rates are booked in the RIR account in the Balance Sheet. Upon derecognition, the gains or losses, if any, due to change in price is recognized in the income statement. 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.

The loans and receivables consist of receivables from banks and deposit insurer, Philippine Deposit Insurance Corporation (PDIC), advances to NG, restructured loan accounts from banks and end-user borrowers, sales contracts receivable, accrued interest receivable, lease receivable and accounts receivable.

Loans and receivables at outstanding balance are 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 recognize 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.

The loans and advances are classified as AC. There were no changes in the classification and measurement of loans and advances from PAS 39 to PFRS 9.

### **2.9.1.2 Fair value through revaluation reserves (FVRR)**

Financial assets are classified as FVRR if two criteria are met:



- The financial assets are held within a business model the objective of which is to hold the financial assets in order to both collect contractual cash flows and sell financial assets (Hold to Collect and Sell business model); and
- The contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the outstanding principal amount.

FVRR financial assets are carried at fair values and translated to PHP using WAER at reporting date. Change in price is computed as the difference between the prevailing market price and the amortized price (weighted average price plus amortized discount or less amortized premium) while the change in FX rate is the difference between the prevailing FX rate and the historical moving average FX rate. The unrealized gains/(losses) arising from changes in price and exchange rates are booked in the RIR account in the Balance Sheet in compliance with Section 45 of the BSP Charter.

### **2.9.1.3 Fair value through other comprehensive income (FVOCI)**

Financial assets are classified as FVOCI if the following criteria are met:

- The financial assets are held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets;
- The contractual terms of the financial assets give rise to cash flows that are SPPI on the outstanding principal amount.

FVOCI financial assets are carried at fair values (FV) at reporting date and comprise local currency denominated securities. Change in price is computed as the difference between the prevailing market price and the amortized price (weighted average price plus amortized discount or less amortized premium). The unrealized gains/(losses) arising from changes in price are booked in Other Comprehensive Income (OCI) under the equity section of the balance sheet. Upon derecognition, gains or losses are recognized in the income statement.

### **2.9.2 Reclassification**

The adoption of PFRS 9 resulted in the reclassification of the following financial assets:

- a. Gold portfolio was reclassified from FV to AC to conform with the MB's directive under MBR No. 969 dated 14 June 2018, to adopt a passive strategy for BSP's gold holdings consistent with the rationale of holding gold for insurance and security. The recorded unrealized price gains/(losses) is reversed contra the principal account, thus, the gold portfolio is measured at reclassification date as if it had always been measured at amortized cost; and
- b. Equity investments (under Non-IR FX assets) with the Bank for International Settlements (BIS) was reclassified from AC to FVRR. Changes in FV shall be recognized in the RIR account and in profit or loss once the equity investment is derecognized.

Financial assets shall be reclassified when, and only when, an entity changes its business model for managing financial assets. However, reclassification is expected to be infrequent and must be performed only when the change in business model is significant to the department's operations. Reclassification entries shall be booked on the first day of the first reporting period following such change.

Whenever subsequent reclassification of financial assets to another category is warranted due to changes in the business model, the following procedures shall be adopted:

- a. **From AC to –**
  1. FVOCI - the asset is measured at FV at the reclassification date with any difference between the previous AC and FV recognized in the OCI.
  2. FVRR - the asset is measured at FV at the reclassification date with any difference between the previous AC and FV carried in the RIR account.
- b. **From FVOCI to AC** - the asset is measured at FV at the reclassification date with cumulative gain or loss previously recognized in the OCI reversed contra the financial asset account. As a result, the financial asset is measured at the reclassification date as if it has always been measured at AC.
- c. **From FVRR to AC** - the asset is measured at FV at the reclassification date with cumulative gain or loss previously recognized in the RIR account reversed contra the financial asset account. As a result, the financial asset is measured at the reclassification date as if it has always been measured at AC.

### 2.9.3 Impairment of financial assets

The BSP applies the impairment requirements for the recognition and measurement of ECL using the “three-stage” approach of the PFRS 9, for its financial assets classified as AC, FVOCI, and FVRR, except for the demand deposits, gold, bonds issued by the BSP and the NG, loans to NG and the PDIC, IMF-related transactions and equity investments with the BIS, whose credit risks are assumed to be close or almost equal to zero.

Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
<ul style="list-style-type: none"> <li>• Financial assets that have low credit risk at the reporting date.</li> <li>• This refers to ECL that results from possible default events on the financial instrument within 12 months after the reporting date.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial assets that have had a significant increase in credit risk (SICR) at the reporting date.</li> <li>• Financial assets that have had an SICR since initial recognition but are not yet deemed credit-impaired at the reporting date.</li> </ul>	<ul style="list-style-type: none"> <li>• Financial assets that have objective evidence of impairment at the reporting date.</li> <li>• This refers to ECL that results from all possible default events over the life of the financial instrument.</li> </ul>

The BSP shifted from incurred loss model under PAS 39 to the Expected Credit Loss model in the determination of impairment provisions for financial asset.

In the calculation of expected credit losses for foreign currency financial assets, one of the factors considered is the loss given default (LGD), which follows the recovery rates of the International Swaps and Derivatives Association (ISDA) CDS standard model as a function of the seniority and the region. It is the Bank's position that the seniority classification of the instrument takes into account the collateralization of every debt instrument.

The BSP employs practical expedients in measuring SICR under PFRS 9. This includes taking into consideration the credit ratings of certain counterparties based on external ratings and other market information to determine if a financial instrument has low credit risk.

The BSP considers the following in determining the deterioration in credit risk:

- a. substantial deterioration in quality as measured by the applicable internal or external ratings, credit score or shift from investment grade category to non-investment grade category;
- b. adverse change in business, financial and/or economic conditions of the borrower or issuer;
- c. early warning signs of worsening credit where the ability of the counterparty to honor his obligation is dependent upon favorable business or economic condition;
- d. the account has become past due beyond 30 days; and
- e. expert judgment for other quantitative and qualitative factors.

A financial instrument shall be considered in default or credit-impaired, when it meets one or more of the following criteria:

- a. the counterparty is more than 90 days past due on its contractual payments; and
- b. the counterparty is experiencing significant financial difficulty which may lead to non-payment of loan as may be indicated by any or combination of the following events:
  - the counterparty is in long-term forbearance;
  - the counterparty is insolvent;
  - the counterparty is in breach of major financial covenant which leads to event of default upon assessment by the BSP;
  - an active market for the security has disappeared;
  - granting of concession that would not be otherwise considered due to economic or contractual reasons relating to the counterparty's financial difficulty;
  - it is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; and
  - financial assets are purchased or originated at deep discount that reflects the incurred credit losses.

The objective of the impairment requirements is to recognize lifetime ECL for all financial instruments for which there have been an SICR since initial recognition, assessed

whether on an individual or collective basis, considering all reasonable and supportable information including that which is forward-looking.

If at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month ECL. Otherwise, if at the reporting date, the credit risk on that financial instrument has increased significantly since initial recognition, an entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime ECL. For loans and advances with a maturity of less than 12 months, the lifetime probability of default (PD) is the same as the 12-months PD.

The ECL shall be reviewed on a periodic basis (i.e. June and December of every year) to reflect the amount of ECL (or reversal) that is required to adjust the loss allowance at the reporting date, which the BSP shall recognize in the profit or loss, as an impairment gain or loss, for AC and FVOCI, and RIR for FVRR. If in a subsequent period, the amount of impairment loss decreases attributable to an event occurring after the impairment was recognized (such as an improvement in the counterparty's credit rating, etc.), the previously recognized impairment loss shall be reversed by adjusting the allowance account.

BSP shall write-off credit exposures that are deemed to be uncollectible and/or secured by collaterals which have become worthless and only after all remedial or recovery efforts have been exhausted to the extent possible. Prior approval of the MB is required before the implementation of any write-off and should be charged against an allowance account. Written off accounts are automatically considered inactive and no longer require further collection efforts. However, such shall not prejudice the BSP from accepting payment on a written-off account, if any. Subsequent recoveries of amounts previously written-off shall be credited to "*Miscellaneous Income-Recovery from Write-off*" in the profit or loss.

The BSP may renegotiate or modify the contractual cash flows of loans to counterparties/borrowers. When this happens, the BSP shall assess whether the new terms are substantially different from the original terms.

If the terms are substantially different, the BSP shall (i) derecognize the original financial asset; (ii) recognize a "new financial asset" at fair value; and (iii) recalculate a new effective interest rate for the asset. Consequently, the date of renegotiation shall be considered as the date of initial recognition for impairment calculation purposes, as well as in determining whether a significant increase in credit risk (SICR) has occurred. Further, the BSP shall assess whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the counterparty/borrower who is unable to make the originally agreed payments. The differences in the carrying amount shall be recognized in the statement of income as gain or loss on derecognition of financial assets.

If the contractual cash flows on a financial asset have been renegotiated or otherwise modified, but the financial asset is not derecognized, that financial asset is not automatically considered to have lower credit risk. As such, the BSP shall assess whether there has been a SICR since initial recognition. Generally, the BSP shall consider that a counterparty/borrower demonstrate consistently good payment behavior over a period before the credit risk is considered to have decreased.

#### **2.9.4 Additional information/disclosures for initial adoption of PFRS 9**

For the initial adoption of PFRS 9, the additional information/disclosures are presented on the following annexes:

Annex C – Financial Assets and Liabilities per category

Annex D – Income and Expense on Financial Assets and Liabilities

Annex E – Movement of Loss Allowance

Annex F – Credit Exposure

Annex G – Reconciliation of Financial Assets and Liabilities

#### **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 (1) foreclosure (legal proceedings initiated by the Bank to acquire the collateral securing the loan of the defaulting bank); (2) dacion en pago in settlement of loans and advances of defaulting banks; (3) assignment by PDIC of assets of closed banks based on the Final Project of Distribution of Final Asset Distribution Plan approved by the Liquidation Court; or (4) assets acquired through the implementation of execution on judgement over 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. Otherwise, expenses incurred to effect the transfer of title and other documents in the name of the BSP are capitalized and form part of the properties' book value.

Investment properties are not depreciated. However, periodic appraisal of properties available for sale is conducted by appraisal companies acceptable to the BSP. 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 (BPFPE) 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 BPFPE 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 ten 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
Armored Vehicles	10
Motor Vehicles	7
Computer Hardware	5
Furniture and Equipment	5

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.

All tangible assets below the capitalization threshold of PHP15,000.00 are classified as semi-expendable property upon acquisition and as expense upon issuance to end-user in pursuance to COA Circular No. 2016-006.

### **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. It shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

“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, leases shall be classified as either finance lease (which transfer substantially all risks and rewards of ownership, and give rise to asset and liability recognition by the lessee, and a receivable by the lessor), and operating lease (which result in expense recognition by the lessee, with the asset remaining recognized by the lessor).

The BSP engages in operating lease either as lessor or lessee based on a lease agreement. As a lessee, the BSP recognizes the security deposits paid to the lessor as other assets in the balance sheet while the lease rentals are treated as expense in the income statement. Improvements made on the leased property are capitalized as leasehold improvements subject to five (5) years amortization.

With the recent development and issuance of the PFRS 16, replacing PAS 17, and applies to annual reporting periods beginning on or after 01 January 2019, the BSP is considering the adoption of PFRS 16, as applicable, in CY 2020. The BSP shall determine the impact on its financial statements of a single lessee accounting model (requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset has a low value), as prescribed by the standard. On the other hand, the accounting requirements as a lessor remains substantially unchanged from the PAS 17. The change in accounting policy for the BSP's adoption of the PFRS 16 shall be approved by the MB.

### **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 Cost and Freight/Cost Paid To (CFR/CPT); and based on prevailing exchange rate at the time of acceptance by end-user department if Incoterms is Delivered at Place/Delivered Duty Paid (DAP/DDP). 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 CPSS to the CIIO. 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 CD, and ROSS, 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**

BSP shall classify all financial liabilities as subsequently measured at AC and translated to the PHP using WAER at reporting date. Change in exchange rates is the difference between prevailing FX rate and historical moving average FX rate. In consonance with Section 45 of the BSP Charter, the unrealized gains or losses due to change in FX rates for outstanding financial liabilities as of reporting date, are booked in the RIR account in the Balance Sheet. Upon derecognition of financial liabilities denominated in foreign currency, the gains or losses due to change in FX rates are recognized in the Income Statement.

Financial liabilities denominated in foreign currency comprise short-term FCDs of banks, the NG and other government entities; and short and long-term borrowings of the BSP.

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. See Note 2.8.1.

Interest is accrued monthly and recognized in the Income Statement.

## **2.18 Derivative instruments**

The BSP engages in derivative contracts, such as forwards, swaps, options and futures, which are not intended for hedging. In line with PFRS 9, derivative instruments shall be



(i) initially recognized at FV on the date on which the derivative contract is entered into; and (ii) subsequently measured at prevailing FV at reporting date. Changes in the price or exchange rates are recognized in the RIR account in the balance sheet, and in income statement upon derecognition.

For forwards, a contingent asset/liability is recognized at spot date. At month-end, the outstanding 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 change in exchange rate are recognized in the income statement and accounted for as the difference between the spot rate at maturity date and historical moving average rate. The RIR account is reversed at month-end.

For USD/PHP swaps, a purchase/sale of the currency is recorded for the first leg at spot date simultaneously with the set-up of contingent asset/liability for the second leg. Realized gains or losses, due to change in FX rates on the first leg is recognized in the income statement and computed as the difference between the contracted spot rate on value date and the historical moving average rate. At month-end, the second leg is marked-to-market and the unrealized gains or losses due to change in FX rates are booked under the RIR account. At maturity date, the contingent asset/liability is reversed and the sale/purchase of the currency is recorded. The corresponding realized gains or losses due to change in FX rates, computed as the difference between the spot rate on maturity date and the forward rate is recognized in the income statement. 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. The derivative asset or liability is revalued and marked to market at month-end and the unrealized gains or losses due to change in exchange rate and price are booked under the RIR account. At maturity date or once the option is exercised prior to maturity, the derivative asset or liability is reversed and the premium paid or received from the options is reclassified to "Premium Received/(Paid) on Call/Put Option" account and recognized in the income statement. Further, if the option is exercised, trading gains or losses from the sale of the underlying asset are also recorded in the income statement. The RIR account is reversed at month-end.

For futures contracts, 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 position (long/short) in a futures contract is closed, the contingent asset/liability is reversed and the corresponding realized gains or losses are recorded. The RIR account is reversed at month-end.

## **2.19 Overnight lending facility, overnight reverse repurchase, overnight deposit facility, term deposit facility, and securities lending agreements**

### **2.19.1 Overnight lending facility (OLF)**

The OLF is a BSP standing facility which allows counterparties to obtain overnight liquidity from the BSP on an open-volume basis against eligible collateral in order to

cover short-term liquidity requirements. The OLF is open to banks (universal, commercial, specialized and thrift) and non-banks performing quasi-banking functions (NBQBs).

### **2.19.2 Overnight reverse repurchase agreement (RRP)**

Overnight RRP refers to the BSP's monetary instrument where the BSP sells government securities with a commitment to buy them back at the next banking day. RRP's are open to banks (universal, commercial, specialized and thrift) and NBQBs. These counterparties may enter into RRP transactions with the BSP by participating in the RRP auction operation. The BSP withholds twenty per cent (20%) final withholding tax (FWT) and five per cent (5%) gross receipts tax (GRT) on RRP transactions.

### **2.19.3 Overnight deposit facility (ODF)**

The ODF is a BSP standing facility which allows banks (universal, commercial, specialized and thrift) and NBQBs, and trust entities to place overnight deposits with the BSP.

The ODF 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.

ODF transactions are subject to the twenty per cent (20%) FWT and five per cent (5%) GRT.

### **2.19.4 Term deposit facility (TDF)**

The TDF is a liquidity absorption facility used by the BSP for liquidity management. It 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 TDF in tenors of seven (7) days, fourteen (14) days, and twenty-eight (28) days. Pre-termination is prohibited for the 7-day tenor but is allowed for the 14-day and 28-day tenors after the 7-day holding period at the appropriate pre-termination rate. The TDF auction is 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 and NBQBs can participate in the TDF facility. TDF transactions are subject to the twenty per cent (20%) FWT and five per cent (5%) GRT.

### **2.19.5 Securities lending agreements**

To maximize the Bank's returns from its investments in foreign securities and to offset custody fees, the 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 ROP government, 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. Notes and coins held in the vaults 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 books maintained by the fund administrators for each fund, as addition in the Fund balance except for Provident fund wherein the Board of Trustees shall set aside a portion of the earnings as General Reserve Fund (GRF) for Provident sub-account when the balance 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 is declared as the fund members' share in the earnings of the Fund for the year. The assets of the Fund are reported at either cost or fair market value depending on the asset classification, following the applicable PASs.

### **2.21.1 Provident funds**

The Provident 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 to five per cent (5%) which took effect in February 2009.

Another defined contribution plan is the Housing Fund established in CY 1978, wherein the contribution is similar to the Provident Fund.

All regular employees automatically become members of the Funds. The Bank's contributions are recognized in the income statement as operating expenses. The Funds are administered by the Provident Fund Office (PFO), a separate legal entity staffed by Bank personnel, established for the purpose of managing the Funds.

On 1 November 2017, the Bank implemented the consolidation of the Provident and Housing Funds as approved per BSP PF Resolution No. 186 dated 24 May 2017. This is in line with MBR No. 488 dated 19 April 2006 which approved the revised rules and regulations governing the Provident Fund.

### **2.21.2 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.

### **2.21.3 Car plan fund**

BSP implemented the car plan program in CY 1993 in line with the approval of the motor vehicle lease purchase plan (MVLPP) for government financial institutions by the Office of the President on 20 July 1992. Effective 21 December 2017, Bank Officer IV and equivalent positions (JG 6) and up are entitled to avail under the BSP's MVLPP (or "Car Plan") pursuant to MBR No. 2062 dated 7 December 2017. 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.

### **2.21.4 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.

### **2.21.5 Medical Coverage Assistance**

In MBR No. 2147 dated 20 December 2018, the MB approved the Medical Coverage Assistance (MCA) for the BSP personnel through the payment of premiums to a Health Maintenance Organization (HMO) before the retiree's secession from the service. Eligible BSP personnel will be enrolled for HMO coverage in accordance with his/her chosen plan. The HMO coverage period shall be renewed on a year-to-year basis, up to a cumulative period of five (5) years after employee's secession from the service in BSP.

To fund the annual premium for the comprehensive medical plan of BSP retirees, the BSP's contribution per employee is increased by two per cent (2%) of the basic salary, to be separately accounted for under Equity Fund II of the PF.

### **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 and all income accrues to the Fund. 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 and approved that all income accrues to 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 2.21.4.

### **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.

### **Other funds**

### **2.22.6 Reserves 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 SPC

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:

	2019	2018
FX commitment receivable/payable	464,749,688,375	474,693,495,816
FX commitment receivable/sales	28,051,288,800	0
Currency unissued	154,613,370,000	154,613,370,000
LCs held/received in process	9,011,940,801	9,011,940,801
Equity investment receivable/payable	861,173,900	861,173,900

Below is the FX commitment receivable/payable as of 31 December 2019:

	Note	USD	PHP
FX commitment receivable/payable (no maturity)			
New arrangements to borrow (NAB)	2.23.4.b	493,698,242	21,687,176,375
Note purchase agreement (NPA)	2.23.4.c	1,000,000,000	43,142,000,000
Chiang Mai initiative multi-lateralization agreement (CMIM)	2.23.5.a	9,104,000,000	399,920,512,000
<b>Total</b>		<b>10,597,698,242</b>	<b>464,749,688,375</b>

### **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 2019, total IMF drawdowns amounted to SDR382.300 million (USD567.415 million), where payments received totaled SDR84.500 million (USD116.358 million) leaving an outstanding balance of SDR297.800 million (USD451.057 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 SDR340.000 million (USD524.474 million).

As of end December 2019, out of total commitment of SDR340.000 million (USD524.474 million), total loans granted amounted to SDR89.920 million (USD133.156 million). Repayments received from the IMF reached SDR69.969 million (USD99.169 million), leaving an outstanding loan balance of SDR19.951



million (USD33.987 million). The amount of SDR320.049 million (USD490.487 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 USD1.000 billion. The commitment under the NPA was booked in 2013. As of end 2019 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 SDR1.900 million (USD2.700 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 USD240.000 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) plus three (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 issue 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 2019, no transactions were made. However, a test run was conducted with BSP as the swap providing party and Bank Negara Malaysia and Monetary Authority of Singapore as the swap receiving parties.

**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 USD12.000 billion in the event of a potential or an actual liquidity need. The BSP has a commitment to provide up to USD500.000 million to the BOJ in the event of a potential or an actual liquidity need.

**c. ASEAN swap arrangement (ASA)**

The ASA is a USD2.000 billion facility of the ten (10) ASEAN member central banks that allows them to swap their local currencies with major international currencies, i.e., USD, Japanese Yen (JPY) and Euro, for an amount up to twice their committed amount under the facility. The Philippines committed to contribute up to USD300.000 million and could request swap of up to USD600.000million worth of PHP.

**2.23.6 Bank for international settlements (BIS)**

The commitment amounted to SDR12.000 million (USD18.500 million), which 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. 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**

The 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, as amended by RA 11211, 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. Beginning CY 2016, the MB approved the declaration and remittance to NG of fifty per cent (50%) of the earnings of the BSP as dividends, computed pursuant to RA 7656 (The Dividend Law) and its Revised Implementing Rules and Regulations (IRR) without prejudice to the final resolution of the case on BSP dividend declaration pending with the Supreme Court.

Under the amended BSP Charter which took effect on 6 March 2019, the BSP shall remit fifty per cent (50%) of its net profits to the National Treasury.

## **2.28 Taxes**

The BSP is liable for all national, provincial, municipal and city taxes, fees, charges and assessments. However, under Section 125 of RA No. 7653, as amended by RA No. 11211, which took effect on 06 March 2019, the BSP shall be exempt from all national, municipal and city taxes on income derived from its governmental functions. All other incomes not derived from governmental functions shall be considered as proprietary income and shall be subject to all taxes, charges, fees and assessments. This was implemented and clarified by the Bureau of Internal Revenue (BIR) under Revenue Regulations (RR) No. 2-2020 and Revenue Memorandum Circular (RMC) No. 14-2020.

As to the BSP's liability for business taxes, RMC No. 65-2008 provides that the BSP is exempt from value-added tax (VAT) for its revenues and receipts derived from the exercise of essential governmental functions but subject to VAT in the exercise of purely proprietary functions. This was further clarified in RMC No. 14-2020.

Except for VAT, the BSP also continues to be 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, 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, as amended by RA 11211. 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. Insofar as VAT exemption is concerned, Section 126 of RA 7653, as amended by RA 11211 was repealed by RA 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN) Law.

Further, pursuant to Section 199(L) of the National Internal Revenue Code (NIRC) of 1997, as amended, all contracts, deeds, documents and transactions related to the conduct of business entered into by the BSP shall be exempt from documentary stamp taxes.

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, as amended. 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) on purchases 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.

Prior to the implementation of the BSP's tax exemption under its amended charter, interest income on government securities collected on every coupon date are subjected 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. Also, discount on Treasury Bills purchased from the secondary

market are subjected to twenty percent (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.”*

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 BIR 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 (ERM) system that institutionalize a structured and systematic approach towards a consistent risk management practice.

The BSP Governor, in his role as the Chief Executive Officer of the Bank, is the overall champion for risk management, while a Board-level Risk Oversight Committee is responsible for recommending enterprise risk management policies to the MB and ensuring the existence of an effective ERM system.

A central Risk and Compliance Office (RCO) oversees the risk, business continuity and compliance management activities of the Bank. The RCO is comprised of three (3) groups namely the Risk Management Group, the Business Continuity Management Group and the Compliance Management Group. The RCO is supported by risk coordinators embedded in operations, known as Risk Management Units, who are responsible for promoting and coordinating the implementation of risk, business continuity and compliance management frameworks, programs and processes in the operating units.

The BSP is exposed to financial risks associated with its foreign and local currency activities. In managing the risks, the FMOSS, DLC, and AMD are guided by policies approved by the MB. The BSP is also exposed to operations, compliance, legal and strategic risks which may negatively impact the delivery of its mandates and objectives, its reputation and/or financial condition. These risks are monitored and managed by the BSP through its robust risk, business continuity and compliance management systems.

Financial risks arising from reserve management activities are managed through adherence to investment guidelines that are aligned with the BSP's investment objectives and risk tolerance.

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.

The BSP measures the market risk of the reserve portfolios primarily using duration, PVO1 and CR01 metrics, which measures the sensitivity of the portfolios to changes in interest rate factors. In addition, the Bank uses Value-at-Risk (VaR) to aggregate the risks of all actively managed portfolios under normal market condition. As a supplement to these risk metrics, the Bank uses stress testing and scenario analyses to assess the impact of adverse market movement to its portfolios.

For portfolios which are managed against benchmarks, the Bank uses ex-ante tracking error to measure active risk.

### 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 2019, grouped into assets and liabilities at carrying amounts:

	Currency	Original Currency	USD Equivalent
<b>Assets</b>			
	USD	80,145,355,144	80,145,355,144
	JPY	239,192,519,735	2,200,075,977
	GBP	1,427,023,470	1,874,547,578
	AUD	2,635,494,763	1,845,670,047
	SDR	958,991,907	1,326,122,779
	CNH	7,401,226,841	1,062,616,341
	CNY	6,128,866,557	880,161,336
	SAR	17,286,703	4,610,420
	EUR	2,578,188	2,858,417
	CAD	1,291,954	976,919
	SGD	692,902	506,995
	AED	1,083,980	294,947
	KRW	300,238,000	245,814
	BND	271,211	197,722
	CHF	113,860	113,906
	THB	1,358,980	45,012
	HKD	347,970	44,747
	BHD	1,831	4,859
	IDR	15,772,000	1,122
<b>Liabilities</b>			
	USD	3,545,204,535	3,545,204,535
	SDR	862,555,361	1,192,767,430
	CNH	2,531,322,906	363,429,624
	JPY	38,254,759,527	351,867,278
	EUR	33,051,874	37,070,982
	GBP	9,943	13,175

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 risk that the value of an investment will fluctuate due to changes in interest rates. The investment guidelines also specify duration limits to manage interest rate risk exposures from investments in fixed income securities. Adherence to duration limits is monitored daily.

### **3.1.3 Commodity risk**

The risk that the value of an investment will fluctuate due to changes in commodity prices. Currently, the only commodity held by the BSP as part of its reserves is gold. 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.

## **3.2 Credit risk**

Credit risk is the potential financial loss that may arise 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 the key financial ratios and other market monitoring tools.
- 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 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.

The BSP implements guidelines on the acceptability of specific classes of collateral for credit risk mitigation. The common collateral types for loans and advances are:

Type of Loan	Collateral
Rediscounting	Promissory Notes secured by guarantees of the Republic of the Philippines, Promissory Notes secured by real estate mortgages, Bills of Exchange with Trust Receipts, Bank assets,
Emergency Loans and Overdraft Clearing Line Loans	Real Estate Mortgage on Bank Assets, Mortgage Credits
Loans to PDIC and NG	Government securities

To minimize credit loss, the BSP monitors the loan to value ratio of the collaterals and require additional collateral from borrowing banks as may be necessary pursuant to existing credit policies.

### 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 RCO, acting as coordinating body.

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

In FMOSS, enhancement and automation of processes are continuously being made in order to mitigate operational risks. FMOSS is in the process of procuring a treasury portfolio management system that will provide a straight-through processing capability covering front-middle and back-office operations (settlement, accounting, and reporting) and interface with the BSP's internal and external systems from various providers to manage efficiently its foreign exchange reserves and mitigate risks for errors as well as eliminate manual processes.

FMOSS also coordinates with relevant BSP departments, external stakeholders and other institutions to facilitate compliance with regulations affecting its investment activities. All agreements, contracts, and other documents which may contractually bind the BSP to FMOSS' counterparties, custodians, securities lending agents, and other entities, are referred to the BSP's General Counsel for review and clearance, before they are signed. In addition, FMOSS secures the necessary authority from, and approval by the MB before agreements, letters, and other documents are signed, and before confidential information of the BSP are released, disclosed and/or submitted to requesting entities.

Furthermore, the DLC engages the services of external lawyers to fast track collection on delinquent accounts 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.

In managing BSP's risks associated with the decline in market values of its acquired assets, the AMD engages the services of appraisal companies acceptable to the BSP's Management Services Sub-Sector (MSSS) to conduct periodic appraisal of the acquired assets in accordance with established appraisal valuation principles and practices.

#### **4. SIGNIFICANT EVENTS**

The MB approved on –

- a. 6 June 2019 the execution of a Memorandum of Agreement between the BSP and Philippine Statistics Authority covering a period of five (5) years, relative to the production of cards to be used for the Philippine National Identification Cards, including the procurement of card personalization equipment.
- b. 27 June 2019 the award of the contract to Crane AB, through Stan Chem Philippines, Inc., and Oberthur Fiduciare S.A.S., through FMC Research

Solutions Inc., for the supply and delivery of New Generation Currency Outsourced Finished Banknotes, as per BSP technical specifications and Terms of Reference, in the total amount of EUR35,578,200.00, Carriage Paid To and/or Cost and Freight, Manila, equivalent to PHP2,077,357,730.70.

c. 25 July 2019 the award of the contract to Bessang Pass Security Agency, Inc., and Catalina Security Agency for the supply of services, through outsourcing of 500 security guards to be deployed at the BSP Head Office, Security Plant Complex, BSP Training Facility in Silang, Cavite, BSP Regional Offices and Branches (Luzon, Visayas, and Mindanao), and BSP acquired assets, for three years, as per BSP Terms of Reference in the total amount of PHP585,872,706.24, Value Added Tax inclusive.

d. 3 October 2019 the award of the contract to R.G. Salanatin Construction, Inc., for one lot hiring of General Contractor for the construction of the proposed BSP Cotabato Branch Building, as per BSP Scope of Works, Technical Specification, Plans and Drawings, in the amount of PHP175,380,000.00.

e. 3 October 2019 the award of the contract to Gleitsmann Security Ink GmbH through FMC Research Solutions Inc., for the supply and delivery of various New Generation Currency Banknotes inks, as per BSP technical specifications and Terms of Reference, in the total amount of EUR10,398,119.10, Delivery at Place, BSP-Quezon City.

f. 24 October 2019 the award of the contract to the Joint Venture of Bastion Payment Systems Corporation and CMA Small Systems Aktiebolag, for one lot supply, delivery, installation, configuration, testing, and implementation, including pilot run and on-site production support, of a New Real Time Gross Settlement System Project – Software Component (PhilPaSS plus), as per BSP Terms of Reference, in the amount of PHP133,268,334.08.

g. 15 November 2019 the award of contract to the Mint of Finland, through Stan Chem Philippines, Inc., for one lot supply and delivery of 312.26256 metric tons 20-Piso New Generation Currency (NGC) coin metals, as per BSP Terms of Reference, in the amount of USD3,872,055.74, exclusive of Value-Added Tax on importation, Delivery at Place, BSP-SPC. The Peso equivalent of PHP195,538,814.87 is based on BSP Reference Rate of USD1.00 = PHP50.500, prevailing on 11 November 2019, opening of bids.

h. 5 December 2019 the award of the contract to the Giesecke+Devrient Currency Technology GmbH, through HFN Enterprises for the supply and delivery of New Generation Currency outsourced finished banknotes with enhanced security features and tactile marks (Lot 2-532,000 bundles of 500-Piso) as per BSP Technical Specifications and Terms of Reference, in the total amount of EUR27,100,840.00, Carriage Paid To and/or Cost and Freight Manila, equivalent to PHP1,516,581,976.99 based on the BSP Reference Rate of EUR1.00 = PHP55.9607 prevailing on 2 December 2019, opening of bids.

## 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	2019	2018 (as restated)
DFFB-Demand Deposit	a	127,110,199,179	127,204,683,639
DFFB-Time Deposit	b	330,571,390,837	993,130,630,500
Allowance for impairment loss		(13,623,297)	0
		330,557,767,540	993,130,630,500
		457,667,966,719	1,120,335,314,139
Accrued interest		901,975,104	2,920,301,840
<b>Total</b>		<b>458,569,941,823</b>	<b>1,123,255,615,979</b>

Accrued Interest, 31 December 2018, before adjustment	2,912,848,401
Add:	
Additional interest earned in 2018 but received in 2019	7,453,439
<b>Accrued Interest, 31 December 2018, as restated</b>	<b>2,920,301,840</b>

a. **Due from foreign banks - demand deposits (DFFB-DD)** represents 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)** represents placements of BSP with accredited foreign banks. Foreign exchange holdings of the BSP not otherwise needed for operation in the near term, are invested 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 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

	2019	2018
Marketable securities	2,070,003,661,282	1,498,825,089,209
Allowance for impairment loss	(9,912,439)	0
	2,069,993,748,843	1,498,825,089,209
Other investments	785,443,352,913	627,390,352,581
	2,855,437,101,756	2,126,215,441,790
Accrued interest	10,216,445,795	8,180,653,264
<b>Total</b>	<b>2,865,653,547,551</b>	<b>2,134,396,095,054</b>

Marketable securities consist of foreign securities (free) and repurchase agreements. The former primarily includes commercial papers in USD, CNH, CNY, GBP and AUD currencies. Other investments include externally managed funds (PHP722.214 billion), Asian bond fund (PHP39.381 billion) and BISIP (Bank for International Settlement and Investment Pool – PHP23.848 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.

	2019	2018
Foreign securities purchased under agreements to resell	639,566,698,800	388,335,444,000
Allowance for impairment loss	(506,939)	0
	639,566,191,861	388,335,444,000
Accrued interest	25,725,306	32,731,329
<b>Total</b>	<b>639,591,917,167</b>	<b>388,368,175,329</b>

## 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 in coping with an impairment of the international monetary system or dealing with an exceptional situation that poses a threat in the stability of that system. The claims arising from calls under the NAB will be in the form of loan to IMF.

	2019	2018 (as restated)
Beginning balance-January 1	2,106,860,011	2,684,037,234
Deduct:		
Repayment	546,644,855	553,747,620
Revaluation adjustments	158,658,500	23,429,603
	705,303,355	577,177,223
Total	1,401,556,656	2,106,860,011
Accrued interest	1,977,622	4,232,653

<b>Ending balance-December 31</b>	<b>1,403,534,278</b>	<b>2,111,092,664</b>
Repayment, 31 December 2018, before adjustment		(646,452,346)
Add:		
Moving average cost (MAC) adjustments		92,704,726
<b>Repayment, 31 December 2018, as restated</b>		<b>(553,747,620)</b>

## 11. GOLD

	Note	2019	2018
In bullion vault	a	136,376,437,437	174,494,554,003
With foreign financial institutions	b	270,846,004,946	254,080,724,984
<b>Ending balance-December 31</b>		<b>407,222,442,383</b>	<b>428,575,278,987</b>

### a. Gold in bullion vaults

	2019		2018	
	FTO	PHP	FTO	PHP
<b>Opening balance-January 1</b>	<b>2,590,901.525</b>	<b>174,494,554,003</b>	<b>2,590,901.525</b>	<b>170,927,051,012</b>
Addition/deduction during the year:				
Net increase/(decrease) due to price/rate revaluation	0	(38,118,116,566)	0	3,567,502,991
<b>Ending balance-December 31</b>	<b>2,590,901.525</b>	<b>136,376,437,437</b>	<b>2,590,901.525</b>	<b>174,494,554,003</b>

	USD/FTO	USD/FTO
Revaluation Rate	1,036.11	1,281.30
Moving Average Rate	1,036.11	1,036.11

### b. Gold with foreign financial institutions

	2019		2018	
	FTO	PHP	FTO	PHP
<b>Opening balance-January 1</b>	<b>3,772,557.048</b>	<b>254,077,838,617</b>	<b>3,722,278.015</b>	<b>245,566,262,558</b>
Additions during the year:				
Purchases	62.128	3,953,125	50,279.033	2,858,673,435
Net increase due to price/rate revaluation	0	16,764,213,204	0	5,652,902,624
	62.128	16,768,166,329	50,279.033	8,511,576,059
Total	3,772,619.176	270,846,004,946	3,772,557.048	254,077,838,617
Accrued interest		0	0	2,886,367
<b>Ending balance-December 31</b>	<b>3,772,619.176</b>	<b>270,846,004,946</b>	<b>3,772,557.048</b>	<b>254,080,724,984</b>

	USD/FTO	USD/FTO
Revaluation Rate	1,413.18	1,281.30
Moving Average Rate	1,413.18	1,413.19

## 12. INTERNATIONAL MONETARY FUND SPECIAL DRAWING RIGHTS

The 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.

	2019	2018
Beginning balance-January 1	62,220,434,997	60,487,894,019
Add/(deduct):		
Income accruing to the fund	882,781,538	793,865,597
Revaluation	(2,403,079,207)	1,491,306,835
Payment of interest and assessment	(625,881,584)	(546,691,115)
Adjustment due to moving average computations/change in policy	(29,442,733)	(5,940,339)
	(2,175,621,986)	1,732,540,978
Total	60,044,813,011	62,220,434,997
Accrued interest	78,061,545	111,618,329
<b>Ending balance-December 31</b>	<b>60,122,874,556</b>	<b>62,332,053,326</b>

## 13. LOANS AND ADVANCES

	Note	Per cent to Total	2019	2018 (as restated)
<b>Local currency loans and advances</b>				
<b>Philippine Deposit Insurance Corp.</b>				
	a	38.33	53,614,361,496	53,288,124,650
<b>National Government- Assumed Obligations of:</b>				
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	77,921,409,740
		56.27	78,713,909,251	78,713,909,251
<b>Special purpose</b>				
Thrift banks			4,077,768	4,077,768
Specialized banks			12,811,512	12,811,512
Rural/Cooperative banks			87,156,297	87,937,240
		0.07	104,045,577	104,826,520
Allowance for probable losses			(103,904,027)	(104,684,970)
			141,550	141,550
<b>Emergency</b>				
	c			
Universal/Commercial banks			1,578,259,753	1,578,259,754
Thrift banks			64,895,550	67,689,650
Rural/Cooperative banks			212,399,634	214,561,694
NBQBs			3	3
		1.33	1,855,554,940	1,860,511,101
Allowance for probable losses			(1,836,462,372)	(1,833,139,842)
			19,092,568	27,371,259
<b>Rediscounting</b>				
	d			
Universal/Commercial banks			3,680,000,000	53,723,162,207
Thrift banks			343,463	660,901,367
Specialized banks			153	153
Rural/Cooperative banks			158,679,649	199,335,204
		2.74	3,839,023,265	54,583,398,931

	Note	Per cent to Total	2019	2018 (as restated)
Allowance for probable losses			(142,714,720)	(142,357,845)
			3,696,308,545	54,441,041,086
<b>Overdrafts/overnight clearing line</b>		1.26	1,761,634,821	1,762,384,433
Allowance for probable losses			(1,757,623,123)	(1,751,667,003)
			4,011,698	10,717,430
Total		100.00	139,888,529,350	190,313,154,886
Allowance for probable losses			(3,840,704,242)	(3,831,849,660)
Net			136,047,825,108	186,481,305,226
Accrued interest			23,017,423,745	21,941,140,367
Allowance for doubtful accts-AIR-L&A			(18,967,104)	(19,330,411)
Net			22,998,456,641	21,921,809,956
<b>Total</b>			<b>159,046,281,749</b>	<b>208,403,115,182</b>
<b>Total local currency - loans and advances</b>				
<b>Allowance for probable losses</b>	e		<b>(3,840,704,242)</b>	<b>(3,831,849,660)</b>
<b>Net</b>			<b>136,047,825,108</b>	<b>186,481,305,226</b>
<b>Amount past due (Annex B)</b>			<b>5,976,524,801</b>	<b>5,998,062,379</b>
<b>Per cent to total loans and advances</b>			<b>4.27</b>	<b>3.15</b>
<b>Balances, 31 December 2018, as restated</b>				
			<b>199,335,204</b>	<b>1,762,384,433</b>
<b>Accrued interest - L&amp;A, 31 December 2018, before adjustment</b>				
				21,941,143,947
<b>Deduct:</b>				
Reapplication/adjustment of payment				3,580
<b>Accrued interest – L&amp;A, 31 December 2018, as restated</b>				<b>21,941,140,367</b>

a. **Loans and advances to PDIC** intended as Financial Assistance (FA) to banks, increased to PHP53.614 billion compared to last year's level of PHP53.288 billion largely due to the releases during the year aggregating to PHP0.339 billion to cover fifty per cent (50%) of PDIC's FA extended banks under the Strengthening Program for Rural Bank Plus and Strengthening Program for Cooperative Bank Plus. This constituted 38.33 per cent of the total foreign and local currency loan portfolio.

Relatedly, the Department of Justice (DOJ), in its Resolution dated 23 October 2019, resolved that based on the contents of the BSP-PDIC Loan Agreement (LA) covering the loan to PDIC used as FA to PNB, and the intention of the parties as shown by their contemporaneous and subsequent acts, the BSP and PDIC clearly entered into an ordinary contract of loan, the repayment of which is not meant to be exclusively sourced from those listed under Section 1.05 of the LA.

However, the PDIC filed an appeal dated 09 December 2019 before the Office of the President (OP), praying that the 23 October 2019 Resolution of the DOJ be set aside and the source for the repayment of PDIC's loan obligation to BSP be

held exclusively limited to those provided for under Section 1.05 of the LA. Accordingly, the BSP filed its Comment on said PDIC's appeal on 17 January 2020, praying for the issuance by the OP of an Order (i) declaring that Section 1.05 of the LA dated 21 November 2002 is not an exclusive list; (ii) dismissing the appeal of PDIC; and (iii) upholding the 23 October 2019 Resolution of the DOJ.

**b.1 Loans and advances to NG** represents loans and advances of the then Central Bank of the Philippines to the PNB and Development Bank of the Philippines representing purchases of shares of stock as equity investments. These obligations were transferred to, and assumed by, the NG under Administrative Order No. 14 dated 03 February 1987 pursuant to Proclamation No. 50 dated 08 December 1986, to facilitate the rehabilitation of certain government financial institutions as part of the government's economic recovery program.

**b.2 IMF quota subscription** represents non-interest bearing loan extended to the ROP to cover (i) quota increase of SDR1,023.600 million per IMF Resolution No. 66-2 (from SDR1,019.300 million to SDR2,042.900 million) as a result of the Fourteenth General Review of Quotas at the IMF, evidenced by Promissory Note (PN) dated 18 February 2016 amounting to PHP68,352.100 million, with a maturity date of 17 February 2021, renewable for another period of five (5) years, and (ii) ad hoc quota increase for the Philippines of SDR139.400 million per IMF Resolution No. 63-2 (from SDR879.900 million to SDR1,019.300 million) as a result of the 2008 Quota and Voice Reform of the IMF, evidenced by PN dated 11 July 2016 amounting to PHP9,569.300 million, with a maturity date of 10 July 2021 pursuant to Section 2 of RA 2052.

**c. Emergency loans** or advances is a type of credit facility intended to assist a bank experiencing serious liquidity problems arising from causes not attributable to, or beyond the control of, the bank management. The grant of such facility is discretionary upon the MB and is intended only as a temporary remedial measure to help a solvent bank overcome serious liquidity problems. As provided under Sections 84 to 88 of RA 7653), as amended by RA 11211, no emergency loan or advance may be granted except on a fully secured basis and the MB may prescribe additional conditions, which the borrowing banks must satisfy in order to have access to the credit facility of the BSP.

**d. BSP Rediscount Facility** is a standing credit facility provided by the BSP to help banks liquefy their position by refinancing the loans extended to their clients. Rediscounting loans which account for 2.74 per cent of the local currency loan portfolio declined by PHP50.744 billion or 92.97% from last year-end balance of PHP54.583 billion due to decreased availments of banks.

**e. Allowance for probable losses** - of the total outstanding loans and advances which amounted to PHP139.888 billion exclusive of accrued interest receivable, 2.75 percent or PHP3.841 billion is provided for as Allowance for Probable Losses. No loans and advances were written-off in 2019.



## 14. OVERNIGHT LENDING FACILITY

	2019	2018
Overnight lending facility	41,100,000,000	69,070,000,000
Allowance for impairment loss	(335,012)	0
	41,099,664,988	69,070,000,000
Accrued interest	20,550,000	32,232,667
<b>Total</b>	<b>41,120,214,988</b>	<b>69,102,232,667</b>

## 15. OTHER RECEIVABLES

	Note	2019	2018 (as restated)
<b>Foreign currency receivables</b>			
Non-IR foreign exchange assets	a	103,184,992,183	91,710,652,339
Accrued interest - Non-IR		1,573,121,600	1,667,225,344
Accrued income receivable		3,282,813	2,019,041
Due from foreign banks/branches	b	26,949,581	27,724,207
<b>Total</b>		<b>104,788,346,177</b>	<b>93,407,620,931</b>
<b>Local currency receivables</b>			
Accounts receivable -TOP	c	16,244,044,992	24,622,473,422
Sales contracts receivable	d	3,919,415,132	4,641,125,884
Accounts receivable		3,057,484,728	3,110,003,685
Allowance for doubtful accounts – AR		(1,993,134,266)	(1,997,122,374)
		1,064,350,462	1,112,881,311
Notes receivable	e	1,366,730,850	1,366,730,850
Allowance for impairment loss – NR		(804,494,692)	0
		562,236,158	1,366,730,850
Due from local banks		890,865,743	764,337,638
Receivables from staff/others		511,073,689	575,069,522
Accrued interest - sales contracts receivable		19,675,754	19,377,343
Lease receivable	f	84,938,821	83,635,739
Allowance for uncollectible rental/receivable		(84,913,432)	(64,217,336)
		25,389	19,418,403
Items under litigation	g	18,758,420	18,758,420
Allowance for doubtful accounts		(4,258,420)	(4,258,420)
		14,500,000	14,500,000
<b>Total</b>		<b>23,226,187,319</b>	<b>33,135,914,372</b>

	Balance, 31 December 2018, before adjustments	Adjustments	Balance, 31 December 2018, as restated
<b>Foreign currency receivable</b>			
Accrued income receivable	2,014,447	4,594	2,019,041
<b>Local currency receivable</b>			
Sales contracts receivable	4,634,213,127	6,912,757	4,641,125,884
Accounts receivable	3,103,562,938	6,440,747	3,110,003,685
Allowance for doubtful accounts - AR	(1,997,421,029)	298,655	(1,997,122,374)
	1,106,141,909	6,739,402	1,112,881,311
Receivables from staff/others	547,143,544	27,925,978	575,069,522
Accrued interest - sales contracts receivable	17,857,332	1,520,011	19,377,343

	<b>Balance, 31 December 2018, before adjustments</b>	<b>Adjustments</b>	<b>Balance, 31 December 2018, as restated</b>
	<b>6,305,355,912</b>	<b>43,098,148</b>	<b>6,348,454,060</b>
Accrued income receivable, 31 December 2018, before adjustments			2,014,447
Add:			
Additional fees and commission earned in 2018 but received in 2019			4,594
<b>Accrued income receivable, 31 December 2018, as restated</b>			<b>2,019,041</b>
Sales contracts receivable, 31 December 2018, before adjustments			4,634,213,127
Add:			
Prior year's sale of acquired assets			6,912,757
<b>Sales contracts receivable, 31 December 2018, as restated</b>			<b>4,641,125,884</b>
Accounts receivable, 31 December 2018, before adjustments			3,103,562,938
Add/(deduct):			
Overpayment of personnel services			4,948,344
Shares of lessee/borrowers/buyers on electricity, foreclosure expenses, real estate tax and other expenses advanced by BSP			1,407,511
Disallowances on medical/hospitalization claims and trainings			119,909
Adjustments on vault/space rental charges, lost properties, penalties, supervisory fees, legal fees and other earnings			113,417
Over set-up/reversal of accounts receivable			(148,434)
			6,440,747
<b>Accounts receivable, 31 December 2018, as restated</b>			<b>3,110,003,685</b>
Allowance for doubtful accounts - AR, 31 December 2018, before adjustments			1,997,421,029
Deduct:			
Over set-up/reversal of accounts receivable and adjustments on related allowance for doubtful accounts			298,655
<b>Allowance for doubtful accounts - AR, 31 December 2018, as restated</b>			<b>1,997,122,374</b>
Receivables from staff/others, 31 December 2018, before adjustments			547,143,544
Add/(deduct):			
PICC adjustment due to the reclassification of tangible items below 15K to semi-expendable property pursuant to COA Circular 2016-006 dtd 29 Dec. 2016			42,877,959
Liquidation of prior year's cash advances of BSP personnel			(14,951,981)
<b>Receivables from staff/others, 31 December 2018, as restated</b>			<b>575,069,522</b>
Accrued interest - sales contracts receivable, 31 December 2018, before adjustments			17,857,332
Add:			
Collection of prior year's interest income on sale of acquired assets			1,520,011
<b>Accrued interest - sales contracts receivable, 31 December 2018, as restated</b>			<b>19,377,343</b>

a. **Non-IR FX assets** 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 increase was primarily due to net revaluation gains of PHP8.298 billion and net investment activity of PHP5.088 billion.

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** is a special receivable account used 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. The balance decreased by PHP8.378 billion due to revaluation of the IMF holdings during the year.

**d. Sales contracts 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:

	<b>Total 2019</b>	<b>Current</b>	<b>Non-Current</b>
<b>I. Auction/negotiated sales</b>			
a. BSP personnel	9,536,855	1,817,712	7,719,143
b. Non-BSP personnel/others	3,561,848,219	581,845,408	2,980,002,811
c. Restructured principal - Non-BSP	10,408,389	1,892,882	8,515,507
d. Restructured interest - Non-BSP	1,726,479	334,065	1,392,414
	<b>3,583,519,942</b>	<b>585,890,067</b>	<b>2,997,629,875</b>
<b>II. Sales under AMD - PFO housing program</b>			
a. BSP personnel	262,396,413	15,947,850	246,448,563
b. Non-BSP personnel/others	73,498,777	4,202,334	69,296,443
	<b>335,895,190</b>	<b>20,150,184</b>	<b>315,745,006</b>
<b>Total</b>	<b>3,919,415,132</b>	<b>606,040,251</b>	<b>3,313,374,881</b>

**e. Notes receivable** is a claim of BSP against First Philippine International Bank (now First Producers Holdings) guaranteed by a 28.5 year scrippless Treasury Bonds with PHP375.000 million cash flow back plus PHP15.000 million cash payment for three (3)-year amortization for 1996, 1997 and 1998 or a total of PHP390.000 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 MBR Nos. 590 and 1069 dated 13 June and 16 October 1996, respectively. As of 31 December 2019, PHP524.276 million is now with the Escrow fund.

In 2019, the notes receivable was considered credit-impaired since it was ascertained that there will be little to almost no future cashflows to be generated by the assets other than the balance of the escrow fund and the 30-year FXTBs. The carrying amount of the notes receivable as of 31 December 2019 is equivalent to its net recoverable value of PHP562.236 million which consists of the escrow fund of PHP524.276 million and the 30-year FXTB of PHP37.960 million maintained in BSP. The difference between the receivable's gross carrying amount and the net recoverable amount, amounting to PHP804.495 million, was recognized as impairment loss in 2019.

**f. Lease receivable** from dacioned properties acquired from the Banco Filipino Savings and Mortgage Bank (BFSMB) was reclassified to Accounts Receivable account in year 2016 due to the absence of a lease contract.

**g. Items under litigation**

	Note	2019	2018
CSS-FAD	a	14,500,000	14,500,000
BSRU-Tacloban	b	2,499,920	2,499,920
BSRU-Legazpi	c	1,758,500	1,758,500
Total		18,758,420	18,758,420
Allowance for doubtful account		(4,258,420)	(4,258,420)
<b>Net</b>		<b>14,500,000</b>	<b>14,500,000</b>

- The amount refers to the pilfered PHP4.500 million clearing items paid to Bank of Philippine Island (BPI) under Case No. 18793 and tampered PHP10.000 million denominated Treasury bills under Case No. 88-2389.
- This pertains to the uncollected claims from the BSP officer of BSRU-Tacloban arising from misappropriated cash on hand under Civil Case No. 97-11-219.
- The amount of loss declared in the robbery case at BSRU-Legazpi cash vault filed under Case No. 6672.

**16. INVESTMENTS SECURITIES – DOMESTIC**

	Note	2019		2018	
		Face Value	Market Value	Face Value	Market Value
<b>BSP-Head Office</b>	a				
Treasury bills		174,543,109,000	173,156,514,937	174,551,334,000	170,465,119,400
Semi-annual FLT treasury bond		50,000,000,000	50,000,000,000	50,000,000,000	50,000,000,000
Fixed rate treasury bonds		2,723,192,023	2,859,137,378	2,721,166,023	2,694,306,795
		227,266,301,023	226,015,652,315	227,272,500,023	223,159,426,195
Accrued interest			121,349,761		139,330,629
<b>Total</b>			<b>226,137,002,076</b>		<b>223,298,756,824</b>

- The movement in investment securities is summarized as follows:

	2019	2018
<b>Beginning balance, January 1</b>	<b>223,159,426,195</b>	<b>224,499,338,802</b>
Add/(Deduct):		
Purchases	421,793,175,132	473,089,963,472
Accrual/reversal of discount	247,100,162	683,493,576
Marking to market	2,186,458,579	(483,685,188)
Redemption	(421,275,966,228)	(474,263,070,748)
Sales	(93,241,927)	(365,638,787)
Net premium amortization	(1,299,598)	(974,932)
	2,856,226,120	(1,339,912,607)
<b>Ending balance, December 31</b>	<b>226,015,652,315</b>	<b>223,159,426,195</b>

- Below is the schedule of maturity of investment securities:

	90-180 days	181-365 days	More than 1 year	Total
Treasury bills	64,749,985,358	108,406,529,579		173,156,514,937

	90-180 days	181-365 days	More than 1 year	Total
Semi-annual FLT Treasury bond Fixed rate treasury bonds			50,000,000,000 2,859,137,378	50,000,000,000 2,859,137,378
<b>Total</b>	<b>64,749,985,358</b>	<b>108,406,529,579</b>	<b>52,859,137,378</b>	<b>226,015,652,315</b>

## 17. DUE FROM ADMINISTRATOR OF FUNDS

	Note	2019	2018
<b>Financial Accounting Department (FAD)</b>			
Fidelity insurance		22,247,379,248	22,247,379,248
Currency insurance	a	2,800,295,564	2,798,665,272
Gold insurance		9,333,618	9,333,617
Industrial fund		2,515,220	2,515,220
Post-retirement benefit	b	2,152,370	3,402,370
		25,061,676,020	25,061,295,727
<b>Provident Fund Office (PFO)</b>			
BSP Properties self-insurance fund	a	2,787,837,516	1,950,000,000
Car plan fund		1,246,825,228	1,246,825,228
Directors' and officers' liability insurance (DOLI) fund	a	1,708,084,708	1,092,289,420
Post-retirement benefit	a	1,751,548,722	1,091,565,879
Provident fund		262,823,914	141,527,187
		7,757,120,088	5,522,207,714
<b>Total</b>		<b>32,818,796,108</b>	<b>30,583,503,441</b>

a. The increase represents income of the managed fund for the years 2011 to 2019 in the amount of PHP2.118 billion.

b. The balance decreased resulting from the grant of financial assistance to the beneficiaries of deceased BSP personnel totaling PHP1.250 million.

## 18. ACQUIRED ASSETS HELD FOR SALE

	2019	2018 (as restated)
Acquired assets held for sale	155,061,372	207,170,512
Allowance for market decline	(1,061,030)	(5,373,591)
<b>Net</b>	<b>154,000,342</b>	<b>201,796,921</b>

	TCTs	Book Value
Acquired assets held for sale, 31 December 2018, before adjustments	442	158,285,434
Add/(deduct):		
Capitalization of foreclosure expenses	0	74,695,926
Prior year's sale of acquired assets	(59)	(25,810,848)
	(59)	48,885,078
<b>Acquired assets held for sale, 31 December 2018, as restated</b>	<b>383</b>	<b>207,170,512</b>

Below is the movement of the acquired assets held for sale for the year 2019:

	TCTs	Book Value
Balance, 01 January 2019	383	207,170,512
Additions:		
Transfer from investment property	3,524	2,272,269,615
Net reclassification/adjustments	109	87,172,267
	3,633	2,359,441,882
Deductions:		
Sale/negotiation	3,233	2,378,573,157
Revert to investment property	141	32,977,865
	3,374	2,411,551,022
<b>Balance, 31 December 2019</b>	<b>642</b>	<b>155,061,372</b>

## 19. INVESTMENT PROPERTY

	2019	2018 (as restated)
Investment property	12,517,860,840	14,697,432,833
Allowance for market decline	(610,022,122)	(654,814,551)
<b>Net</b>	<b>11,907,838,718</b>	<b>14,042,618,282</b>

	TCTs	Book Value
Investment property, 31 December 2018, before adjustments	25,988	14,529,529,312
Add/(deduct):		
Effect of restatement of prior period adjustments:		
Capitalization of foreclosure expenses	0	169,510,471
Adjustment on investment property-dacioned	1	40,450
Redemption of acquired assets	(2)	(1,647,400)
	(1)	167,903,521
<b>Investment property, 31 December 2018, as restated</b>	<b>25,987</b>	<b>14,697,432,833</b>

Below is the movement of the investment property for the year 2019:

	TCTs	Book Value
Balance, 01 January 2019	25,987	14,697,432,833
Additions:		
Foreclosure	214	85,325,995
Dacion en pago	144	40,192,410
Reverted from acquired assets	141	32,977,866
Net reclassification/adjustments	39	19,666,777
	538	178,163,048
Deductions:		
Transferred to acquired assets	3,524	2,346,965,541
Sale/negotiation	6	10,769,500
	3,530	2,357,735,041
<b>Balance, 31 December 2019</b>	<b>22,995</b>	<b>12,517,860,840</b>

## 20. BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT (BPFPE)

	Land and building	Property improvement	Computer hardware	Plant and equipment	In-transit Items	In progress/ under construction items	Total
<b>Cost</b>							
01 January 2019	13,865,806,467	6,376,753,730	1,503,778,024	9,635,302,553	4,991,194,859	2,033,733,040	38,406,568,673
Additions	829,163,955	175,853,838	162,539,213	828,446,943	833,940,055	179,094,359	3,009,038,363
Disposals	(4,401,000)	0	(11,478,385)	(29,356,674)	0	0	(45,236,059)

Reclassification	0	(9,101,692)	(40,852,049)	(95,223,496)	(485,002,944)	(442,145,546)	(1,072,325,727)
Adjustments	0	297,000	(570,085)	0	0	0	(273,085)
<b>31 December 2019</b>	<b>14,690,569,422</b>	<b>6,543,802,876</b>	<b>1,613,416,718</b>	<b>10,339,169,326</b>	<b>5,340,131,970</b>	<b>1,770,681,853</b>	<b>40,297,772,165</b>
<b>Accumulated depreciation</b>							
01 January 2019	(3,630,816,987)	(4,160,128,596)	(896,704,291)	(5,929,172,439)	0	0	(14,616,822,313)
Depreciation	(246,556,620)	(309,192,052)	(167,828,865)	(712,411,723)	0	0	(1,435,989,260)
Disposals	0	0	11,736,676	20,413,002	0	0	32,149,678
Reclassification	0	1,191,937	35,430,418	83,431,835	0	0	120,054,190
Adjustments	0	2,625,626	0	1,456,260	0	0	4,081,886
<b>31 December 2019</b>	<b>(3,877,373,607)</b>	<b>(4,465,503,085)</b>	<b>(1,017,366,062)</b>	<b>(6,536,283,065)</b>	<b>0</b>	<b>0</b>	<b>(15,896,525,819)</b>
<b>Net book value, 31 December 2019</b>	<b>10,813,195,815</b>	<b>2,078,299,791</b>	<b>596,050,656</b>	<b>3,802,886,261</b>	<b>5,340,131,970</b>	<b>1,770,681,853</b>	<b>24,401,246,346</b>
<b>Net book value, 31 December 2018, as restated</b>	<b>10,234,989,480</b>	<b>2,216,625,134</b>	<b>607,073,733</b>	<b>3,706,130,114</b>	<b>4,991,194,859</b>	<b>2,033,733,040</b>	<b>23,789,746,360</b>

The BPFPE costs and accumulated depreciation balances as at 31 December 2018 are restated, as follows:

	Land and building	Property improvement	Computer hardware	Plant and equipment	In-transit items	In progress/ under construction items	Total
<b>Cost</b>							
<b>31 December 2018, before adjustments</b>	13,865,040,492	6,160,681,910	1,506,489,213	9,595,800,761	5,021,400,299	2,194,716,759	38,344,129,434
Add/(deduct):							
Effect of restatement of prior period adjustments:							
Reclassification to/from BPFPE, other assets & expense account	765,975	216,071,820	(816,627)	40,976,487	(30,205,440)	(160,983,719)	65,808,496
Non/(de)-recognition of properties acquired, disposed/donated			(1,894,562)	(1,474,695)			(3,369,257)
	765,975	216,071,820	(2,711,189)	39,501,792	(30,205,440)	(160,983,719)	62,439,239
<b>31 December 2018, as restated</b>	<b>13,865,806,467</b>	<b>6,376,753,730</b>	<b>1,503,778,024</b>	<b>9,635,302,553</b>	<b>4,991,194,859</b>	<b>2,033,733,040</b>	<b>38,406,568,673</b>
<b>Accumulated depreciation</b>							
<b>31 December 2018, before adjustments</b>	(3,630,738,475)	(4,142,701,841)	(898,783,777)	(5,946,865,905)			(14,619,089,998)
(Add)/deduct:							
Effect of restatement of prior period adjustments:							
Reclassification to/from BPFPE, other assets & expense account	(78,512)	(17,426,755)	373,507	16,295,842			(835,918)
Non/(de)-recognition of properties acquired, disposed/donated			1,705,979	1,397,624			3,103,603
	(78,512)	(17,426,755)	2,079,486	17,693,466	0	0	2,267,685
<b>31 December 2018, as restated</b>	<b>(3,630,816,987)</b>	<b>(4,160,128,596)</b>	<b>(896,704,291)</b>	<b>(5,929,172,439)</b>	<b>0</b>	<b>0</b>	<b>(14,616,822,313)</b>
<b>Net book value, 31 December 2018, as restated</b>	<b>10,234,989,480</b>	<b>2,216,625,134</b>	<b>607,073,733</b>	<b>3,706,130,114</b>	<b>4,991,194,859</b>	<b>2,033,733,040</b>	<b>23,789,746,360</b>

The Fort San Pedro property at Iloilo City valued at PHP32.288 million, which is part of the BSP's initial capitalization of PHP10.000 billion in 1993, acquired by virtue of Presidential Proclamation (PP) No. 403 dated 26 May 1965, was subsequently allocated for local government purposes particularly for socialized urban housing programs per various PPs. Thus, this became the subject of the Memorandum of Agreement (2015 MOA) entered into by and among the BSP, National Housing Authority (NHA), and the City Government of Iloilo City (CGI), for the reconveyance of the said property to the BSP.

However, in 2019 based on the recent developments and reasonable justifications, the MB approved with the concurrence of the NHA and CGI, the termination of the 2015 MOA. Hence, the Fort San Pedro property will be subject to derecognition in the books.

As this will result in the recognition of accounts receivable from the NG, representing its undercapitalization to BSP, the Bank will coordinate with the NG thru the Department of Finance (DOF) on how to settle the issue.

As of 31 December 2019, the total amount of PHP306.373 million charged against the PHP311.954 million utilized Asia-Pacific Economic Cooperation (APEC) Fund for the PICC rehabilitation projects was booked under the BPFPE, and the total depreciation expense of PHP154.631 million was recognized at year-end, broken down as follows:

<b>Account</b>	<b>Amount</b>	<b>Depreciation</b>
Building improvement	207,874,160	84,042,827
Furniture and equipment	97,099,656	70,021,564
Land improvements	1,399,000	566,595
<b>Total</b>	<b>306,372,816</b>	<b>154,630,986</b>

## 21. INTANGIBLES

	<b>Computer network and application system</b>	<b>Computer network and application system in process</b>	<b>Total</b>
<b>Cost</b>			
01 January 2019, as restated	2,647,056,280	90,161,542	2,737,217,822
Additions	37,873,329	44,351,756	82,225,085
Disposals/Retirement	(17,232,594)		(17,232,594)
Reclassification	(3,077,610)		(3,077,610)
<b>31 December 2019</b>	<b>2,664,619,405</b>	<b>134,513,298</b>	<b>2,799,132,703</b>
<b>Accumulated amortization</b>			
01 January 2019, as restated	(2,489,942,748)		(2,489,942,748)
Amortization - CY 2019	(66,862,078)		(66,862,078)
Disposals/Retirement	17,232,594		17,232,594
Reclassifications	666,303		666,303
<b>31 December 2019</b>	<b>(2,538,905,929)</b>	<b>0</b>	<b>(2,538,905,929)</b>
<b>Net book value, 31 December 2019</b>	<b>125,713,476</b>	<b>134,513,298</b>	<b>260,226,774</b>
<b>Net book value, 31 December 2018, as restated</b>	<b>157,113,532</b>	<b>90,161,542</b>	<b>247,275,074</b>

The Computer Network and Application System (CNAS) and related accumulated amortization balances as at 31 December 2018 are restated, as shown below:

<b>Cost</b>	
31 December 2018, before adjustments	2,633,351,258
Add:	
Web Security and Content Filtering System Enhancement project completed in 2018	13,705,022
<b>31 December 2018, as restated</b>	<b>2,647,056,280</b>
<b>Accumulated amortization</b>	
31 December 2018, before adjustments	(2,489,257,496)
Add:	
Amortization of CNAS project completed in 2018	(685,252)
<b>31 December 2018, as restated</b>	<b>(2,489,942,748)</b>
<b>Net book value, 31 December 2018, as restated</b>	<b>157,113,532</b>



## 22. INVENTORIES

	Note	2019	2018
SPC inventories	a	6,704,634,599	6,070,653,013
Gold for refining	b	2,533,694,084	1,996,578,765
Allowance for refining gains/(losses) – gold		0	(4,659,958)
		2,533,694,084	1,991,918,807
Work-in-process	c	1,837,377,329	1,352,692,648
Currency inventory	d	1,212,428,874	1,235,045,254
Gold for domestic sale	e	34,424,532	37,357,855
Silver for refining	b	1,390,257	1,183,187
Allowance for refining gains/(losses) - silver		0	(11,067)
		1,390,257	1,172,120
Silver for domestic sale		388,052	388,052
<b>Total</b>		<b>12,324,337,727</b>	<b>10,689,227,749</b>

a. The increase in SPC inventories is attributed to the procured outsourced finished coins and raw materials which are still in-transit as of year-end.

b. The Gold and Silver for refining accounts pertain to the deliveries of various BSP gold buying stations and MROD's purchase. The accumulation was brought about by the disrupted gold refinery operations due to the rehabilitation of the whole gold refinery plant.

c. The increase in the Work-In-Process-Gold account was mainly due to the cost of direct labor and overhead expenses allocated to the refinery area.

d. The drop in the currency inventory was due to the production constraints arising from supplier issues, plant upgrades, and the untimely change of banknote signatories.

e. The decline was due to the sale of gold grains/sheets by the Department of General Services (DGS) to local jewelers with the total gold contents of 27.211 tr.oz. amounting PHP2.930 million.

## 23. MISCELLANEOUS ASSETS

	Note	2019	2018 (as restated)
Other supplies		510,844,491	452,311,727
Prepaid expenses	a	351,592,194	471,894,550
Stocks and other securities	b	275,602,697	165,610,500
Paintings and sculptures		136,500,125	134,920,575
Assets for disposal		65,197,858	74,301,002
Deposits - utilities and services	c	53,537,406	48,858,792
Withholding tax at source	d	28,016,966	119,051,868
Numismatic collections on hand		21,800,403	21,800,932
Semi-expendable property		13,587,111	5,532,449
Miscellaneous assets		13,304,877	15,226,967
Input tax		11,694,863	13,767,313
Creditable tax certificates	e	4,835,087	4,835,087
Items for exhibit		880,681	880,681
Due from PICC	f	335,727	2,909,235

	Note	2019	2018 (as restated)
Commemorative notes and coins		311,427	364,756
Land under usufruct	g	82,275	82,275
Checks and other cash items		1,225,520	24,941
Demonetized commemorative coins		54	97
Checks and other cash items in-transit		0	2,497
Phil-Pass - Treasury		(5,511,697)	0
<b>Total</b>		<b>1,483,838,065</b>	<b>1,532,376,244</b>

	Balance, 31 December 2018 before adjustments	Adjustments	Balance, 31 December 2018, as restated
<b>Other supplies</b>	452,266,231	45,496	452,311,727
- Adjustment due to the discrepancy in the cost of ammunitions during physical count		65,249	
- Utilization of supplies & material in-stock and medical-dental supplies in-stock		(19,753)	
<b>Prepaid expenses</b>			
- Adjustment on prepayments relative to telecommunication services, custodian fees and CNAS maintenance	471,908,436	(13,886)	471,894,550
<b>Asset for disposal</b>	75,343,433	(1,042,431)	74,301,002
- Derecognition of PPE sold/donated		(967,509)	
- Reclassification to Computer Hardware and Furniture & Equipment		(74,922)	
<b>Deposits - utilities and services</b>			
- Withdrawal and closure of bond deposit for civil case as per Writ of Execution dated 09 July 2008 and Sheriff's Notice of Demand	49,758,792	(900,000)	48,858,792
<b>Withholding tax at source</b>			
- Overapplication of rental collection	119,052,865	(997)	119,051,868
<b>Semi-expendable property</b>	8,396,228	(2,863,779)	5,532,449
- Change in capitalization threshold for PPE per COA Circular		(3,020,755)	
- Adjustment of prior year's issuance		156,976	
<b>Miscellaneous assets</b>			
- Reversal of miscellaneous assets-capitalizable foreclosure expenses to correct account balance.	15,229,367	(2,400)	15,226,967
<b>Items for exhibit</b>			
- Derecognition of asset sold	1,040,681	(160,000)	880,681

a. The account includes taxes withheld from purchases of short-term government securities which are later recognized as expense upon maturity. The decline of PHP120.320 million or 25% was attributed to the decrease in taxes withheld from purchases of government securities -Treasury bills and subscription to foreign periodicals/news services.

b. Breakdown includes the following:

Particulars	Amount
PICCI investments	275,000,000
Proprietary membership share	601,000
Telephone companies stocks	1,697
<b>Total</b>	<b>275,602,697</b>

The PICCI investments rose by 66% representing additional placement of PHP50.000 million Treasury bonds in Land Bank of the Philippines and PHP60.000 million Fixed Rate ASEAN Sustainability Bond in DBP.

c. The increment of PHP3.780 million or 8% was brought by the additional power bill deposits with the Manila Electric Company (MERALCO).

d. The taxes withheld were largely from interest income from loans, supervisory and other bank fees, income from payments and settlements transactions and service fees on deposits of notes. The significant decrease of PHP91.030 million or 76.47% was principally due to lesser supervisory fees and lower interest income on loans and advances.

e. The amount represents refund of customs duties, taxes, fees, etc. earlier paid in protest by the Bank from CYs 1996-1998 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.

f. 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.

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.

## 24. SHORT-TERM FOREIGN CURRENCY DEPOSITS

	Note	2019	2018 (as restated)
National Government	a	129,655,674,729	93,417,574,062
Other entities	b	1,119,448,485	1,053,127,035
		130,775,123,214	94,470,701,097
Accrued interest		157,868,957	28,336,625
<b>Total</b>		<b>130,932,992,171</b>	<b>94,499,037,722</b>
Accrued Interest, 31 December 2018, before adjustment			22,068,642
Add:			
Interest expense incurred in 2018 but paid in 2019			6,267,983
<b>Accrued Interest, 31 December 2018, as restated</b>			<b>28,336,625</b>

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:

	2019	2018
<b>National Government</b>		
TOP-Time Deposits	52,859,536,882	13,717,079,642
TOP-Special Accounts	76,796,137,847	79,700,494,420
<b>Total</b>	<b>129,655,674,729</b>	<b>93,417,574,062</b>

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

	2019	2018
<b>Financial Institution</b>		
Bank of America S.A. Manila - Regular	203,208,000	262,815,000
Bank of America S.A. Manila - Time Deposit	914,436,000	788,445,000
<b>Other Entities</b>		
North Luzon Railways	1,789,512	1,851,543
Metropolitan Waterworks and Sewerage System (MWSS)	14,973	15,492
<b>Total</b>	<b>1,119,448,485</b>	<b>1,053,127,035</b>

## 25. FOREIGN LOANS PAYABLE

	Note	2019	2018
<b>Maturing in more than 5 years</b>			
Blocked peso deposit (Circular 1202)	a	0	28,291,614
CB memorandum circular (at original cost PHP14.00)	b	0	2,067,204
<b>Total</b>		<b>0</b>	<b>30,358,818</b>

a. Local currency deposits of original public sector borrowers (NG, GOCCs 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. The deposits were later registered with the BSP under foreign loan restructuring arrangements. The account was paid and closed on 27 December 2019 upon its maturity.

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. The account was closed on 25 November 2019 and the balance was remitted to the Bureau of the Treasury in compliance with the COA audit recommendation.

## 26. BONDS PAYABLE

	Note	2019	2018
Bonds due 2027	a	20,320,800,000	21,025,200,000
Bonds due 2097		5,080,200,000	5,256,300,000

	Note	2019	2018
Discount on bonds		25,401,000,000 (87,770,204)	26,281,500,000 (91,728,893)
Accrued interest		25,313,229,796 97,088,267	26,189,771,107 100,453,733
<b>Total</b>		<b>25,410,318,063</b>	<b>26,290,224,840</b>

a. These are “Yankee Bonds” issued by BSP on 24 June 1997. However, bonds worth USD5.950 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.

## 27. ALLOCATION OF SPECIAL DRAWING RIGHTS

	2019	2018
Allocation of SDRs	58,867,463,941	61,258,650,769
Accrued interest	76,530,927	109,893,074
<b>Total</b>	<b>58,943,994,868</b>	<b>61,368,543,843</b>

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 ROP ceases to be a member of the IMF.

## 28. OTHER LIABILITIES

	Note	2019	2018 (as restated)
<b>Foreign currency financial liabilities</b>			
Accounts payable		1,671,264,133	1,569,792,315
Accrued expenses		258,856,339	177,766,615
Other financial liabilities		3,539,917,476	3,891,360,710
<b>Total</b>		<b>5,470,037,948</b>	<b>5,638,919,640</b>
<b>Local currency non-financial liabilities</b>			
Dividends payable	a	17,931,438,286	449,345,216
Retirement benefits obligation		2,906,150,257	2,962,060,302
Deferred tax liability		9,082,709	8,943,093
Miscellaneous liabilities		6,663,591,890	8,110,038,867
Accounts Payable		2,697,072,938	3,653,350,973
Taxes payable		1,566,468,427	1,538,882,576
Accrued expenses		85,577,689	67,206,263
Other local currency liabilities	b	2,314,472,836	2,850,599,055
<b>Total</b>		<b>27,510,263,142</b>	<b>11,530,387,478</b>
<b>Balance, 31 December 2018, before adjustments</b>			
<b>Balance, 31 December 2018, as restated</b>			
<b>Foreign currency financial liabilities</b>			
Accounts payable		1,569,726,647	65,668
			1,569,792,315

	Balance, 31 December 2018, before adjustments	Adjustments	Balance, 31 December 2018, as restated
- Payment of various expenses incurred in 2018		80,391	
- Over-accrual of telecommunication and CNAS maintenance expenses		(14,723)	
<b>Accrued expenses</b>	183,675,693	(5,909,078)	177,766,615
- Payment of various expenses incurred in 2018		334,646	
- Over-accrual of custodian and management fees		(6,243,724)	
<b>Local currency non-financial liabilities</b>			
<b>Miscellaneous liabilities</b>			
<b>Accounts payable</b>	3,278,296,520	375,054,453	3,653,350,973
- Payment/adjustment of prior year's expenses (personal, travel, consultancy and other services)		431,175,455	
- Adjustment on prior year's collection of performance security deposit, restoration of funds for staled check and refund of previously paid lost property.		52,414	
- Collection of prior year's income on sale, redemption of acquired assets and leased properties		(52,837,271)	
- Reapplication/adjustment of loan payment		(3,008,365)	
- Over-accrual of janitorial services, repairs and maintenance, special supplies, external professional services and overtime claims		(327,780)	
<b>Taxes payable</b>	1,620,683,418	(81,800,842)	1,538,882,576
- Payment of prior year's expenses (personal, travel, consultancy and other services)		18,616,420	
- Payment of various expenses incurred in 2018		1,156,183	
- Adjustment of income tax expense for the year 2018		(101,571,052)	
- Overapplication of rental collection		(2,393)	
<b>Other local currency liabilities</b>	2,851,843,308	(1,244,253)	2,850,599,055
<b>Deferred income</b>			
- Realized income from the funds received from NG for the 2015 APEC meeting		(2,838,808)	
- Reapplication/adjustment of loan payment		(2,797)	
<b>Unrealized profit on assets sold</b>			
- Booking of prior year's sale of acquired assets		1,904,811	
- Collection of prior year's income on sale of acquired assets		(307,459)	

a. The amount includes the 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. The Revised Deed of Conveyance between the BSP and the ROP, through the BTr, documenting the conveyance, by way of property dividend to the NG, is still for signature of the NG. During the year, the account increased by PHP17,482.093 billion representing the balance of cash dividends for CY 2018 payable to the NG.

b. The decline of PHP537.370 million in other local currency liabilities is attributed by the decrease of 62% in Deferred Income and 25% in Reserve fund for stale checks.

## 29. DEPOSITS

	Note	2019	2018
<b>Government deposits</b>			
Short-term	a	30,524,514,211	74,788,090,131
Accrued interest		1,961,682,163	1,916,097,918
<b>Total</b>		<b>32,486,196,374</b>	<b>76,704,188,049</b>
<b>Demand Deposits</b>			
Banks/NBQBs-reserve deposits	b	1,550,907,153,880	1,845,106,163,398
Secured settlement account		8,088,557,038	2,681,579,887
Fixed term deposit		4,200,000,000	4,678,000,000
Others		27,476,764,096	29,743,889,146
		1,590,672,475,014	1,882,209,632,431
Accrued interest		4,379,961	2,946,903
<b>Total</b>		<b>1,590,676,854,975</b>	<b>1,882,212,579,334</b>
<b>IMF and other financial institutions</b>			
Due to IMF	c	107,590,164,094	122,738,736,482
International financial institutions		125,054,298	91,787,979
Due to other foreign banks		2,391,323	2,391,323
<b>Total</b>		<b>107,717,609,715</b>	<b>122,832,915,784</b>

### a. Government deposits

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. 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.

As approved by the MB in its MBR Nos. 1934 and 1972.A dated 23 November 2017 and 28 November 2017, respectively, the new remuneration formula for the NG's Treasury Single Account (TSA) starting 01 December 2017, is as follows:

Basis	Rate
Working Balance	ODF rate
Excess of Working Balance	Weighted average of Term Deposit Facility and Reverse Repurchase rates

The TSA working balance as approved under MBR No. 1047 dated 28 June 2018, is initially set at PHP250.000 billion, subject to annual review as agreed upon between the BTr and the BSP.

## b. Demand deposits of banks/ NBQBs

Effective 6 April 2012, deposits maintained by banks/NBQBs 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

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 SDR1.599 billion as at 31 December 2019.

The balance of IMF's security holdings (SDR94.553 million) that includes non-negotiable, non-interest bearing security, encashable on demand and issued in 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 2019, the Peso appreciated by PHP2.522 against the SDR, from the peso/SDR exchange rate of PHP74.728/SDR as at 30 April 2018 to PHP72.206/SDR as at 30 April 2019. The peso appreciation resulted in a revaluation gain of PHP4.330 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 gain as reduction to its receivable from NG under the "Accounts Receivable-TOP" account.

As at 31 December 2019, the IMF Summary Statement of Position showed that the total IMF currency holdings aggregated to PHP114.189 billion consisting of the balances of "Account Nos. 1 and 2 of PHP111.638 billion, security holdings of PHP6.599 billion and accrued revaluation gain of PHP4.048 billion (covering the period May 2019 to December 2019). This valuation adjustment was booked as of 31 December 2019.

## 30. CURRENCY IN CIRCULATION

	2019	2018 (as restated)
Currency notes issued	1,886,005,331,290	1,677,591,485,500
Cash on hand - notes	(252,083,032,510)	(225,308,468,710)
<b>Net notes in circulation</b>	<b>1,633,922,298,780</b>	<b>1,452,283,016,790</b>
Currency coins issued	45,758,411,363	38,126,275,779
Cash on hand / in transit - coins	(626,695,360)	(179,993,885)
<b>Net coins in circulation</b>	<b>45,131,716,003</b>	<b>37,946,281,894</b>



	2019	2018 (as restated)
<b>Currency in circulation, 31 December</b>	<b>1,679,054,014,783</b>	<b>1,490,229,298,684</b>
	<b>Currency notes issued</b>	<b>Currency coins issued</b>
<b>Currency issued</b>		
Balances, 31 December 2018, before adjustments	1,677,594,368,830	38,126,598,225
Deduct:		
Mutilated currency	2,883,330	322,446
<b>Balances, 31 December 2018, as restated</b>	<b>1,677,591,485,500</b>	<b>38,126,275,779</b>
Cash on hand-notes, 31 December 2018, before adjustment		(225,300,687,210)
Turnover of previously issued uncut bills		(7,781,500)
<b>Currency in circulation, 31 December 2018, as restated</b>		<b>(225,308,468,710)</b>

### Inventory of Currency Issued

	January 1 2019	Requisitions from CID	Retirement	December 31 2019
<b>Currency issued</b>				
Notes	1,677,594,368,830	1,161,668,678,500	(953,257,716,040)	1,886,005,331,290
Coins	38,126,598,225	7,685,129,583	(53,316,445)	45,758,411,363
	1,715,720,967,055	1,169,353,808,083	(953,311,032,485)	1,931,763,742,653
<b>Cash on hand</b>				
Notes				(252,083,032,510)
Coins				(626,695,360)
Total Held in MMCROSS and ROSS				(252,709,727,870)
<b>Total currency in circulation</b>				<b>1,679,054,014,783</b>

Details of currency in circulation are as follows:

Denomination	Quantity (No. of Pcs)		Amount	
	2019	2018 (as restated)	2019	2018 (as restated)
Notes				
1,000	1,224,518,145	1,051,959,200	1,224,518,145,000	1,051,959,200,000
500	544,666,368	493,147,070	272,333,184,000	246,573,535,000
200	27,789,995	34,540,595	5,557,999,000	6,908,119,000
100	806,239,098	901,365,390	80,623,909,800	90,136,539,000
50	474,146,030	637,422,717	23,707,301,500	31,871,135,850
20	1,359,087,974	1,241,724,397	27,181,759,480	24,834,487,940
			1,633,922,298,780	1,452,283,016,790
Coins				
20 - Piso	185,119	0	3,702,380	0
10 - Piso	1,188,621,035	991,624,437	11,886,210,350	9,916,244,370
5 - Piso	3,680,368,895	2,933,213,167	18,401,844,475	14,666,065,835
1 - Piso	11,370,611,013	10,067,985,184	11,370,611,013	10,067,985,184
25 - Sentimo	10,811,244,703	10,037,102,380	2,702,811,175	2,509,275,595
10 - Sentimo	3,792,001,778	3,793,012,402	379,200,178	379,301,240
5 - Sentimo	3,295,295,596	3,055,684,926	164,764,780	152,784,247
1 - Sentimo	70,458,968	57,582,221	704,590	575,822
			44,909,848,941	37,692,232,293
Commemorative coins	924,454	4,508,490	221,867,062	254,049,601
			45,131,716,003	37,946,281,894
<b>Total currency in circulation, 31 December</b>			<b>1,679,054,014,783</b>	<b>1,490,229,298,684</b>

The details of currency in circulation as at 31 December 2018 are restated as follows:

Denomination	Quantity (No. of Pcs)			Amount			
	2018 (before restatement)	Adjustment	2018 (as restated)	2018 (before restatement)	Adjustment	2018 (as restated)	
	Notes	1,000	1,051,964,837	(5,637)	1,051,959,200	1,051,964,837,000	(5,637,000)
	500	493,152,127	(5,057)	493,147,070	246,576,063,500	(2,528,500)	246,573,535,000
	200	34,546,190	(5,595)	34,540,595	6,909,238,000	(1,119,000)	6,908,119,000
	100	901,375,191	(9,801)	901,365,390	90,137,519,100	(980,100)	90,136,539,000
	50	637,427,698	(4,981)	637,422,717	31,871,384,900	(249,050)	31,871,135,850
	20	1,241,731,956	(7,559.00)	1,241,724,397	24,834,639,120	(151,180)	24,834,487,940
					1,452,293,681,620	(10,664,830)	1,452,283,016,790
Coins	10 - Piso	991,629,955	(5,518)	991,624,43	9,916,299,550	(55,180)	9,916,244,370
	5 - Piso	2,933,233,835	(20,668)	2,933,213,16	14,666,169,175	(103,340)	14,666,065,835
	1 - Piso	10,068,130,966	(145,782)	10,067,985,18	10,068,130,966	(145,782)	10,067,985,184
	25 - Sentimo	10,037,165,151	(62,771)	10,037,102,38	2,509,291,288	(15,693)	2,509,275,595
	10 - Sentimo	3,793,030,510	(18,108)	3,793,012,40	379,303,051	(1,811)	379,301,240
	5 - Sentimo	3,055,697,577	(12,651)	3,055,684,92	152,784,879	(632)	152,784,247
	1 - Sentimo	57,582,990	(769)	57,582,22	575,830	(8)	575,822
					37,692,554,739	(322,446)	37,692,232,293
Commemorative coins		4,508,490	-	4,508,490	254,049,601	0	254,049,601
					37,946,604,340	(322,446)	37,946,281,894
<b>Total currency in circulation, 31 December</b>					<b>1,490,240,285,960</b>		<b>1,490,229,298,684</b>

### 31. REVALUATION OF FOREIGN CURRENCY ACCOUNTS

	2019	2018
<b>Unrealized gains on FX rate fluctuations</b>		
Beginning balance, January 1	520,294,359,655	355,245,142,122
Add/(deduct):		
Unrealized gains/(losses) for the year (net of realized transactions)	(157,822,255,257)	165,049,217,533
Ending balance, December 31	362,472,104,398	520,294,359,655
<b>Unrealized gains(losses) on price fluctuations</b>		
Beginning balance, January 1	14,682,028,401	26,299,685,448
Add/(deduct):		
Unrealized gains/(losses) for the year (net of realized transactions)	49,008,458,358	(11,617,657,047)
Impairment loss	(227,219,147)	0
Ending balance, December 31	63,463,267,612	14,682,028,401
<b>Unrealized gains on FX rate and price fluctuations, December 31</b>	<b>425,935,372,010</b>	<b>534,976,388,056</b>

### 32. CAPITAL ACCOUNTS

	Note	2019	2018 (as restated)
Capital	a	50,000,000,000	50,000,000,000
Surplus/(deficit)	b	15,602,756,299	(9,219,868,854)
Unrealized gains/(losses) on investments		378,675,538	(1,807,783,041)

	Note	2019	2018 (as restated)
in government securities			
Unrealized losses on investments in stocks and other securities		(7,803)	0
Capital Reserves	c	378,667,735	(1,807,783,041)
Managed Funds	d	79,574,252,128	77,519,185,247
Fidelity insurance fund		22,247,379,248	22,247,379,248
Currency insurance fund		2,800,295,565	2,798,665,272
BSP Properties self-insurance fund		2,787,837,516	1,950,000,000
Retirement benefit fund		1,753,701,091	1,094,968,248
Directors'/officers' liability		1,708,084,708	1,092,289,420
		31,297,298,128	29,183,302,188
Other Fund			
Fluctuations in price of gold		42,582,587,455	42,582,587,455
Contingencies		3,644,871,739	3,644,871,739
Property insurance		1,600,000,000	1,600,000,000
SPC rehabilitation		399,471,959	458,140,817
Cultural properties acquisition fund		40,689,230	40,949,431
Gold insurance fund		9,333,617	9,333,617
		48,276,954,000	48,335,883,059
<b>Total</b>		<b>145,555,676,162</b>	<b>116,491,533,352</b>

a. Pursuant to Section 2 of RA 7653, as amended by RA 11211, the capital of the BSP shall be PHP200.000 billion, to be fully subscribed by the NG. The increase in capitalization shall be funded solely from the declared dividends of the BSP in favor of the NG. For this purpose, any and all declared dividends of the BSP shall be deposited in a special account in the General Fund and earmarked for the payment of the BSP's increase in capitalization. Such payment shall be released and disbursed immediately and shall continue until the increase in capitalization has been fully paid.

In 2014, the NG had fully paid the BSP's capitalization of PHP50.000 billion prescribed under RA 7653 prior to the amendment of its Charter under RA 11211, which took effect on 06 March 2019.

b. In accordance with PAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the Surplus/(deficit) for calendar year 2018 is restated as follows:

Surplus/(deficit), 1 January 2018, before adjustments	(45,604,257,360)
Deduct:	
Restatement of adjustments on income and expenses prior to CY 2018	(282,038,920)
Surplus/(deficit), 1 January 2018, as restated	(45,322,218,440)
Add:	
Transactions for CY 2018	(3,517,966,443)
Surplus/(deficit), 31 December 2018, before net income	(48,840,184,883)
Net income for the period, before adjustments	39,845,224,410
Deduct:	
Restatement on income and expenses for CY 2018	(224,908,381)
Net income for the period, as restated	39,620,316,029
<b>Surplus/(deficit), 31 December 2018, as restated</b>	<b>(9,219,868,854)</b>

The details of restated prior period adjustments on income and expenses and transactions for CY 2018 are presented in the Statement of Changes in Equity.

c. The amount represents unrealized gains/(losses) from investment in local government securities classified as amortized cost. 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:

	2019	2018
Beginning balance	(1,807,783,041)	(1,324,097,853)
Effect of marking to market of gov't securities - Increase in government, stocks and other securities	2,186,450,776	(483,685,188)
<b>Ending balance</b>	<b>378,667,735</b>	<b>(1,807,783,041)</b>

d. The BSP booked the income earned from managed fund for the years 2011 to 2019 amounting to PHP2.118 billion.

### 33. INTEREST INCOME AND INTEREST EXPENSES

	2019	2018 (as restated)
<b>Interest income from financial assets</b>		
Interest income from foreign currency financial assets		
Foreign investment	57,350,702,162	47,014,898,290
Deposits with foreign banks	20,706,483,992	16,483,758,947
Other foreign currency receivables	3,723,054,676	3,413,511,764
IMF special drawings rights	619,705,048	616,674,382
Gold Deposits	17,351,897	46,721,084
Due from/(to) broker	1,062,281	813,005
	82,418,360,056	67,576,377,472
Interest income from local currency financial assets		
Government securities	11,395,973,125	7,516,069,057
Loans and advances	4,480,749,315	2,335,440,016
Overnight lending account	1,739,064,576	337,198,278
Other receivables	381,306,018	396,450,434
	17,997,093,034	10,585,157,785
<b>Total</b>	<b>100,415,453,090</b>	<b>78,161,535,257</b>

	Balance, 31 December 2018 before adjustments	Adjustments	Balance, 31 December 2018, as restated
<b>Interest income from foreign financial assets</b>			
<b>Deposits with foreign banks</b>	<b>16,476,305,508</b>	<b>7,453,439</b>	<b>16,483,758,947</b>
- Additional interest earned in 2018 but received in 2019		7,453,439	
<b>Interest income from local financial assets</b>			
<b>Loans and advances</b>	<b>2,335,628,505</b>	<b>(188,489)</b>	<b>2,335,440,016</b>

	Balance, 31 December 2018 before adjustments	Adjustments	Balance, 31 December 2018, as restated
- Reapplication/adjustment of loan payments		(188,489)	
<b>Other receivables</b>	<b>393,633,650</b>	<b>2,816,784</b>	<b>396,450,434</b>
- Adjustment on sale/application of payment of acquired assets		2,816,784	
		<b>2019</b>	<b>2018 (as restated)</b>
<b>Interest expense from financial liabilities</b>			
Interest expense on foreign currency financial liabilities			
Bonds payable		2,755,789,695	2,514,907,664
Short term deposits		3,050,752,883	1,221,976,327
Allocation of IMF special drawing rights		591,442,236	584,063,050
		6,397,984,814	4,320,947,041
Interest expense on local currency financial liabilities			
Securities sold under agreements to repurchase		12,258,335,824	10,112,537,284
Government deposits		16,932,248,118	8,197,645,856
Deposits of banks and other financial institutions		9,099,613,381	7,303,486,363
		38,290,197,323	25,613,669,503
<b>Total</b>		<b>44,688,182,137</b>	<b>29,934,616,544</b>
Interest expense on foreign currency financial liabilities			
Short term deposits, 31 December 2018, before adjustments			1,214,602,229
Add:			
Adjustment of accrued interest booked in 2018 but paid in 2019			7,374,098
<b>Short term deposits, 31 December 2018, as restated</b>			<b>1,221,976,327</b>

### 34. OTHER INCOME

	Note	2019	2018 (as restated)
<b>Printing, minting and refinery</b>		304,643,415	165,471,724
<b>Fees – local</b>			
Banking supervision/clearing/license fees		5,676,474,200	5,051,699,968
Penalties and late charges		688,261,928	537,219,053
Transaction fee – PhilPaSS		184,299,173	152,662,047
Processing and filing fees		68,487,100	90,089,868
Others		170,927,457	121,433,451
		6,788,449,858	5,953,104,387
<b>Other income</b>			
Income on acquired assets		1,591,684,460	1,286,162,301
Rental on building and facilities		532,194,438	441,730,831
Rental on acquired assets		4,936,817	20,583,920
Other miscellaneous income	a	587,473,844	465,981,680
		2,716,289,559	2,214,458,732
<b>Other operating income</b>		<b>9,809,382,832</b>	<b>8,333,034,843</b>

a. The other miscellaneous income for 2019 includes income from unreturned Demonetized 100,000-Piso and 2,000-Piso Centennial

Commemorative Notes aggregating PHP96,870,000.00 pursuant to MBR No. 1210 dated 20 July 2017.

	2019	2018 (as restated)
<b>Gain/(loss) on FX rates fluctuation</b>		
Gain on FX rates fluctuation	18,205,545,535	54,904,696,613
Loss on FX rates fluctuation	(3,480,228,231)	(1,797,106,753)
<b>Net</b>	<b>14,725,317,304</b>	<b>53,107,589,860</b>

	Balance, 31 December 2018 before adjustments	Adjustments	Balance, 31 December 2018, as restated
<b>Fees - Local</b>			
<b>Banking supervision/clearing/license fees</b>	<b>5,051,685,833</b>	<b>14,135</b>	<b>5,051,699,968</b>
- Collection of prior year's supervisory fees		14,135	
<b>Penalties and late charges</b>	<b>535,973,219</b>	<b>1,245,834</b>	<b>537,219,053</b>
- Collection of prior year's income from penalties (i.e. late deliveries, reporting, payments and others)		677,781	
- Various reapplication/adjustment of payments (i.e. loan, rental, acquired asset, penalties, supervisory fees and others)		568,053	
<b>Other Income</b>			
<b>Income on acquired assets</b>	<b>1,257,822,476</b>	<b>28,339,825</b>	<b>1,286,162,301</b>
- Collection of prior year's sale and redemption of acquired asset		28,033,100	
- Various reapplication/adjustment of payments (i.e. loan, rental, acquired asset, penalties, supervisory fees and others)		312,999	
- Buyer's share in property expenses		(6,274)	
<b>Rental on acquired assets</b>	<b>20,594,861</b>	<b>(10,941)</b>	<b>20,583,920</b>
- Adjustment on application of rental payments		(10,941)	
<b>Other miscellaneous income</b>	<b>462,185,969</b>	<b>3,795,711</b>	<b>465,981,680</b>
- Collection of prior year's income (i.e. mutilated coins declared with no value, property self-insurance, vault rental, funds from NG)		3,842,179	
- Reversal of stale checks		(32,672)	
- Various reapplication/adjustment of payments (i.e. loan, rental, acquired asset, performance security, disallowances and others)		(12,299)	
- Disposal of various properties		(1,497)	

### 35. IMPAIRMENT

	2019	2018 (as restated)
<b>Impairment on foreign currency financial accounts</b>		
Due from foreign banks	13,623,297	0
Foreign investment	9,912,439	0
FS purchased under agreement to resell	506,939	0
	<b>24,042,675</b>	<b>0</b>

	2019	2018 (as restated)
<b>Impairment on local currency financial accounts</b>		
Notes receivable	804,494,692	0
Lease receivable	20,696,096	18,408,194
Loans and advances	13,510,132	18,854,705
Accounts Receivable	13,060,194	20,817,439
Overnight lending facilities	335,012	0
	<b>852,096,126</b>	<b>58,080,338</b>
<b>Total</b>	<b>876,138,801</b>	<b>58,080,338</b>

Local currency accounts as of 31 December 2018, before adjustments	38,748,370
Add/(deduct):	
Reclassification of accounts	19,630,623
Reversal of allowance set-up	(22,400)
Various reapplication/adjustment payments (loan, rental, etc.)	(276,255)
<b>Local currency accounts as of 31 December 2018, as restated</b>	<b>58,080,338</b>

### 36. CURRENCY PRINTING AND MINTING COST

	2019	2018
Notes	6,267,603,841	6,819,454,828
Coins	6,205,147,497	4,440,255,816
<b>Total</b>	<b>12,472,751,338</b>	<b>11,259,710,644</b>

### 37. OPERATING EXPENSES

	2019	2018 (as restated)
Personnel services, development and training	15,086,339,134	14,037,263,676
Administrative expenses	9,699,391,943	7,742,385,624
Depreciation/amortization	982,876,146	877,672,628
Recovery due to/from market decline	(15,397,545)	(127,948,807)
<b>Total</b>	<b>25,753,209,678</b>	<b>22,529,373,121</b>

#### a. PERSONNEL SERVICES

	2019	2018 (as restated)
Salaries and wages	11,508,913,692	10,467,611,893
Defined contribution plans	2,316,433,794	2,250,987,001
Social security contribution	526,038,389	508,453,998
Sickness and death benefits	348,044,113	369,937,376
Post-retirement benefits	218,178,000	252,511,500
Personnel development and training	164,042,357	182,921,067
Medical and dental benefits	4,688,789	4,840,841
<b>Total</b>	<b>15,086,339,134</b>	<b>14,037,263,676</b>

The following personnel services account balances for the year ended 31 December 2018 are restated as follows:

	Balance, 31 December 2018 before adjustments	Adjustments	Balance, 31 December 2018, as restated
Salaries and wages	10,458,793,968	8,817,925	10,467,611,893
Defined contribution plans	2,251,593,317	(606,316)	2,250,987,001
Social security contribution	508,783,115	(329,117)	508,453,998
Sickness and death benefits	346,518,197	23,419,179	369,937,376
Personnel development and training	169,029,388	13,891,679	182,921,067
<b>Total</b>	<b>13,734,717,985</b>	<b>45,193,350</b>	<b>13,779,911,335</b>

**b. ADMINISTRATIVE EXPENSES**

	2019	2018 (as restated)
Taxes and licenses	6,168,666,194	3,826,932,985
Repairs and maintenance	548,130,672	664,941,075
Traveling expenses	446,186,250	410,040,246
Acquired assets expenses	375,588,719	268,028,363
Water, illumination and power services	345,122,617	348,614,312
Communication services	307,096,575	325,091,834
Currency and gold operations expenses	273,367,451	438,205,984
Consultants and specialist services	154,291,728	224,842,440
Fidelity and property insurance	78,410,100	77,433,328
Auditing services	65,333,646	59,156,459
Conference, workshop and convention expenses	64,559,418	67,126,314
Supplies and materials	57,185,926	50,451,014
Rentals	26,332,867	31,180,195
Grants, subsidies and contributions	25,541,859	42,376,926
Ammunitions	7,266,360	7,674,418
Discretionary expenses	4,748,491	3,148,383
Others	751,563,070	897,141,348
<b>Total</b>	<b>9,699,391,943</b>	<b>7,742,385,624</b>

The following administrative expense account balances for the year ended 31 December 2018 are restated as follows:

	Balance, 31 December 2018 before adjustments	Adjustments	Balance, 31 December 2018, as restated
Taxes and licenses	3,826,923,395	9,590	3,826,932,985
Repairs and maintenance	574,081,834	90,859,241	664,941,075
Travelling expenses	403,379,628	6,660,618	410,040,246
Currency and gold operations expenses	381,775,038	56,430,946	438,205,984
Water, illumination and power services	339,564,585	9,049,727	348,614,312
Communication services	307,547,087	17,544,747	325,091,834
Acquired asset expenses	237,566,168	30,462,195	268,028,363
Consultants and specialist services	184,306,712	40,535,728	224,842,440
Fidelity and property insurance	77,417,743	15,585	77,433,328
Conference, workshop and convention expenses	63,347,369	3,778,945	67,126,314
Auditing services	59,054,595	101,864	59,156,459
Supplies and materials	49,230,716	1,220,298	50,451,014
Grants, subsidies and contributions	32,511,313	9,865,613	42,376,926
Rentals	29,460,661	1,719,534	31,180,195
Bad debts	19,630,623	(19,630,623)	0
Ammunitions	7,675,218	(800)	7,674,418
Discretionary expenses	2,922,065	226,318	3,148,383
Others	863,823,058	33,318,290	897,141,348
	7,460,217,808	282,167,816	7,742,385,624



Taxes and licenses account balances for CYs 2019 and 2018 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). Bad debts are presented separately in compliance with guidelines and procedure of PFRS 9 (see note 35).

The acquired assets expenses consist of the following:

	<b>2019</b>	<b>2018 (as restated)</b>
Taxes and licenses	270,010,315	125,962,200
Security services	61,134,630	82,594,273
External professional services	30,464,070	37,479,825
Association/condominium fees	9,773,883	18,211,907
Fidelity insurance	1,848,502	2,965,502
Light, fuel and water	1,217,316	90,547
Legal fees	680,445	401,170
Repairs and maintenance	459,558	322,939
<b>Total</b>	<b>375,588,719</b>	<b>268,028,363</b>

	<b>Balance, 31 December 2018 before adjustments</b>	<b>Adjustments</b>	<b>Balance, 31 December 2018, as restated</b>
<b>Taxes and Licenses</b>	<b>136,723,629</b>	<b>(10,761,429)</b>	<b>125,962,200</b>
- Expenses incurred in 2018 but paid in 2019		40,518	
- Adjustment on sale/application of payment of acquired asset		9,977	
- Capitalization of expenses to investment property		(10,547,491)	
- Buyer's share in property expenses		(264,433)	
<b>Security Services</b>	<b>44,506,025</b>	<b>38,088,248</b>	<b>82,594,273</b>
- Expenses incurred in 2018 but paid in 2019		38,088,248	
<b>External Professional Services</b>	<b>35,588,153</b>	<b>1,891,672</b>	<b>37,479,825</b>
- Expenses incurred in 2018 but paid in 2019		1,891,672	
<b>Association/condominium dues</b>	<b>17,327,300</b>	<b>884,607</b>	<b>18,211,907</b>
- Expenses incurred in 2018 but paid in 2019		884,607	
<b>Fidelity Insurance</b>	<b>2,672,384</b>	<b>293,118</b>	<b>2,965,502</b>
- Expenses incurred in 2018 but paid in 2019		334,225	
- Adjustment on sale/application of payment of acquired asset		(33,319)	
- Buyer's share in property expenses		(7,788)	
<b>Legal Fees</b>	<b>335,191</b>	<b>65,979</b>	<b>401,170</b>
- Expenses incurred in 2018 but paid in 2019		65,979	

### c. DEPRECIATION/AMORTIZATION

Depreciation of BPFPE and amortization of CNAS for the year ended 31 December 2018 are restated as follows:

	Depreciation	Amortization	Total
Depreciation/amortization, 31 December 2018, before adjustments	789,985,996	67,152,671	857,138,667
Add:			
Unrecorded depreciation/ amortization	7,867,276	685,252	8,552,528
Adjustment of related accounts and reclassification to/(from) BPFPE, other assets and expense	11,981,433		11,981,433
	19,848,709	685,252	20,533,961
<b>Depreciation/amortization, 31 December 2018, as restated</b>	<b>809,834,705</b>	<b>67,837,923</b>	<b>877,672,628</b>

### 38. PROFIT FOR DISTRIBUTION

The BSP shall remit fifty per cent (50%) of its net profits to the NG as dividend to be computed pursuant to RA 7653, as amended by RA 11211.

	2019	2018 (as restated)
<b>Net income for the year</b>	<b>46,238,939,469</b>	<b>39,620,316,029</b>

In accordance with PAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the Net Income for calendar year 2018 was restated as shown in Note 32(b). The details of restated prior period adjustments on income and expenses are presented in the Statement of Changes in Equity.

### 39. TRUST FUNDS

Org Unit in cFAS	Note	2019	2018
Comptrollership – Trust Fund Accounting System	a	25,049,988,138	25,050,795,534
DLC -Accounting	b	2,662,221,702	2,616,622,001
Treasury Department-Domestic	c	1,789,402,740	1,583,933,663
Sectoral Operations Management Department - Financial Services Sector (formerly Central Administrative Services Group - Closed Banks)	d	140,600,838	140,590,538
<b>Total</b>		<b>29,642,213,418</b>	<b>29,391,941,736</b>

a. This consists of BSP self-insurance fund established for retirement benefits under RA 1616, shipment of currency and additional fidelity insurance bond for accountabilities in excess of PHP100.000 million.

b. This refers to Educational Loan Guarantee Fund (ELGF) and other funds for the account of various banks.

c. 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.

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

#### 40. CASH AND CASH EQUIVALENTS

	Note	2019	2018
<b>Foreign currency assets</b>			
Foreign investments - readily convertible to cash		2,070,003,661,282	1,498,825,089,209
Deposits with foreign banks		457,681,590,017	1,120,335,314,139
Other cash balances (foreign currency on hand)		1,518,333,400	1,131,822,894
Non-IR foreign currency on hand	a	32,054,478	33,255,679
Other FX receivable - due from FX banks - special account		26,949,581	27,724,207
		2,529,262,588,758	2,620,353,206,128
<b>Local currency assets</b>			
Government securities		226,015,652,315	223,159,426,195
Other receivables - due from local banks		890,865,743	764,337,638
Other receivables - revolving fund		268,613,563	255,719,980
Miscellaneous assets - checks and other cash items		(1,394,801)	(2,595,379)
Philpass-Treasury Account		(5,511,697)	
		227,168,225,123	224,176,888,434
<b>Demand liabilities</b>			
Deposit of banks and other financial institutions		(2,196,441,018,490)	(2,053,481,031,977)
Government demand deposits		(3,195,896,736)	(47,937,472,655)
		(2,199,636,915,226)	(2,101,418,504,632)
<b>Cash and cash equivalents, 31 December</b>		<b>556,793,898,655</b>	<b>743,111,589,930</b>

a. This represents foreign currency holdings under the Currency Exchange Facility for Overseas Filipino Workers (OFWs) under MB Res No. 283 dated 27 February 2003.

#### 41. RECONCILIATION OF OPERATING CASH FLOW WITH REPORTED NET INCOME

	2019	2018 (as restated)
<b>Reported operating surplus</b>	46,238,939,469	39,620,316,029
<b>Operating cash flows from changes in asset and liability balances</b>	(327,883,500,780)	(204,559,898,410)
<b>Add/(deduct) non-cash items</b>		
Depreciation/amortization	982,876,146	877,672,628
Provision for probable loss	45,045,656	58,080,338
Recovery from provision for market decline	(15,397,545)	(127,948,807)
Provision for Impairment Loss	818,453,001	
Income tax expense due to movement in deferred income tax (DIT)	2,828,194,387	15,253,509,923
Amortization of discount/premium on bonds payable	3,958,690	(3,746,821)
	4,663,130,335	16,057,567,261
<b>Add/(deduct) movements in other working capital items:</b>		

	2019	2018 (as restated)
Increase/(decrease) in miscellaneous liabilities	(737,744,944)	302,174,981
Increase in interest payable	498,431,805	575,030,790
Increase in interest receivable	(904,389,409)	(1,830,954,986)
Decrease in accounts receivable	47,267,077	452,474,425
	(1,096,435,471)	(501,274,790)
<b>Deduct investing and financing activities</b>		
Net realized gain on FX rates fluctuation	(14,725,317,304)	(53,107,589,860)
<b>Net cash used in operating activities</b>	<b>(292,803,183,751)</b>	<b>(202,490,879,770)</b>

## 42. TAXES

### 42.1 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:

	2019		2018 (as restated)	
	Amount	Percent	Amount	Percent
Provision for income tax computed at the statutory income tax rate, before adjustments	14,720,140,157		16,559,716,686	
Add:				
Restatements to financial statements computed at statutory rate	0		(97,568,900)	
Provision for income tax computed at the statutory income tax rate, as restated	14,720,140,157	30.00	16,462,147,786	30.00
Additions to/(reductions in) income tax resulting from the tax effects of:				
Expenses directly attributable to tax-exempt income	15,631,368,675	31.86	0	0
Expenses allocated to tax-exempt income	5,010,082,744	10.21	0	0
Non-deductible national taxes	1,858,358,967	3.79	1,463,704,597	2.66
Provision for unused leave credits	71,312,055	0.15	89,023,573	0.16
Provision for allowance for doubtful accounts	5,821,399	0.01	53,247,574	0.10
Income exempt from income tax	(34,880,614,614)	(71.09)	0	0
Interest income subject to final tax	(612,574,338)	(1.25)	(2,355,980,200)	(4.29)
Actual leave credits paid	(88,112,215)	(0.18)	(101,197,286)	(0.18)
PICCI income and expenses	(55,892,404)	(0.11)	(33,426,580)	(0.06)
Income related to the sale of acquired assets	(28,294,864)	(0.06)	(382,009,380)	(0.70)
Provision for loss on market decline	(14,205,583)	(0.03)	(38,384,642)	(0.07)
Debits on valuation allowance credited to Miscellaneous Income	(10,345)	0	(393,563)	0
Written-off accounts	0	0	(64,025,594)	(0.12)
Prior year reversal of allowance for doubtful accounts	(76,985)	0	21,434,659	0.04
	(13,102,837,508)	(26.70)	(1,348,006,842)	(2.46)
<b>Actual provision for corporate income tax</b>	<b>1,617,302,649</b>	<b>3.30</b>	<b>15,114,140,944</b>	<b>27.54</b>

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).

## 42.2 Deferred income taxes

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

	2019	2018
Deferred tax asset		
Allowance for doubtful accounts	494,908,905	1,767,615,405
Unused leave credits	864,695,253	881,495,413
Tax overpayments	10,736,479,049	0
Restatements of tax overpayments	1,249,764	(1,249,764)
PICCI unused tax credit (for consolidation purposes)	12,155,865	6,732,019
<b>Total deferred income tax assets</b>	<b>12,109,488,836</b>	<b>2,654,593,073</b>

The movement in DTA account is summarized as follows:

	2019	2018
Net balance at the beginning of the year, before adjustments	2,655,842,837	6,147,803,403
Add/(deduct):		
Tax overpayments for the year	10,736,479,049	0
Restatements of tax overpayments	1,249,764	(1,249,764)
Tax overpayments utilized to pay tax due	0	(3,489,790,111)
Temporary differences charged to income tax expense	(1,289,506,660)	(645,901)
PICCI unused tax credits (for consolidation purposes)	5,423,846	(1,524,554)
	9,453,645,999	(3,493,210,330)
<b>Net balance at the end of the year</b>	<b>12,109,488,836</b>	<b>2,654,593,073</b>

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.

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

	2019	2018
Provision for unused leave credits	71,312,055	89,023,573
Provision for allowance for doubtful accounts	5,821,399	53,337,170
Reversal of temporary differences relating to tax-exempt income	(1,278,450,914)	0
Actual leave credits paid	(88,112,215)	(101,197,286)
Adjustments in account valuations	(76,985)	22,216,236
Written-off accounts	0	(64,025,594)
<b>Temporary differences charged to income tax expense</b>	<b>(1,289,506,660)</b>	<b>(645,901)</b>

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. In this regard, unrealized losses on the

marked-to-market valuation of domestic securities booked directly to equity under the account “Unrealized Losses on Investments in Government Securities” are not considered as DTA components as the future taxable profit may not be sufficient to absorb these deductible temporary differences. The deferred tax asset that should have been recognized on the said marked-to-market account is PHP0.542 billion in 2018. For 2019, the marked-to-market valuation of domestic securities resulted to a net unrealized gain.

RIR account amounting to PHP425.935 billion is not included as a DTA component pursuant to Section 45 of RA 7653, as amended by RA 11211, which states that “profits or losses arising from any revaluation of the Bangko Sentral's assets, liabilities or derivative instruments denominated in foreign currencies with respect to the movements of prices and exchange rates from third currencies to Philippine peso shall not be included in the computation of the annual profits and losses of the Bangko Sentral.”

#### 42.3 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 2019.

- 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 PHP0.028 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 PHP0.233 billion.
- b. The BSP’s income derived from its exercise of governmental functions are exempt from VAT, as provided under RMC Nos. 65-2008 and 14-2020.
- c. Input VAT claimed during the year amounted to PHP0.183 million 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:

	2019	2018 (as restated)
<b>Local taxes</b>		
Real estate tax	162,824,335	219,534,580
Taxes and licenses related to acquired assets	23,373,083	35,801,248
Others (registration fees, licenses, permits)	1,851,670	1,249,636
<b>Total</b>	<b>188,049,088</b>	<b>256,585,464</b>
<b>National taxes</b>		
Capital gains tax related to acquired assets	246,637,231	90,160,951
<b>Total</b>	<b>246,637,231</b>	<b>90,160,951</b>
<b>Compromise settlement of tax assessments</b>		
Income Tax	3,621,312,499	0
Final Withholding Tax	882,875,502	2,397,131,642
Final Withholding of VAT	702,248,303	356,528,875
Expanded Withholding Tax	570,668,331	465,225,968

	<b>2019</b>	<b>2018 (as restated)</b>
Value-Added Tax (VAT)	222,895,365	381,113,515
<b>Total</b>	<b>6,000,000,000</b>	<b>3,600,000,000</b>

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

	<b>2019</b>	<b>2018</b>
Final withholding tax on income	8,833,332,820	5,695,128,436
Withholding tax on compensation and benefits	2,563,150,222	2,317,196,336
VAT and other percentage tax withheld	1,246,355,656	1,038,214,008
Expanded withholding tax	77,966,475	73,508,827
Excise tax collected	28,233,501	26,453,457
<b>Total</b>	<b>12,749,038,674</b>	<b>9,150,501,064</b>

f. As of 31 December 2019, the applications for compromise for the settlement of the alleged deficiency tax liabilities of the BSP covering taxable years 2016 and 2017 are pending with the BIR. The alleged deficiency taxes were covered by settlements with the BIR under the primary consideration of putting an end to these tax assessments and assisting the national government in its collection efforts, without admission of liability on the part of BSP. The settlement amounted to Php3 billion for each taxable year.

The BIR is also currently conducting its audit and examination of BSP books and other accounting records covering taxable year 2018 pursuant to a Letter of Authority issued in July 2019.