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 No. 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 banks and non-bank financial institutions performing quasi-banking, 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 corner P. Ocampo Streets, Manila, Philippines. It has several buildings, namely: Multi-Storey building, 5-Storey building, EDPC building, Cafetorium building, Multi-purpose building, Metropolitan Museum of Manila and BSP Money Museum, which showcases its collection of currencies.

The BSP in Quezon City, Philippines, houses the Security Plant Complex (SPC), Currency Issue and Integrity Office (CIIO) and the Cash Department (CD). The CIIO is under the Payments and Currency Development Sub-Sector (PCDSS) while the CD is under the Payments and Currency Management Operations Sub-Sector (PCMOSS) under the newly created Payments and Currency Management Sector (PCMS).

The BSP has three (3) Regional Offices (ROs) sited in San Fernando City, La Union; Cebu City and Davao City, and Regional Branches (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 (PICC), 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 its operations and internal administration. 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 2020, the deputy governor heads each of the four (4) existing operating sectors, 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. Payments and Currency Management Sector (PCMS) maintains the safety and integrity of the Philippine currency and ensures a well-functioning payments and cash ecosystem that facilitates the economic activities and supports long-run economic growth.

e. The Currency Management (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 CD and Regional Operations Sub-Sector (ROSS) based on their requisitions, and the Metro Manila Currency Operations Sub-Sector's (MMCOSS) cash operations within Metro Manila.

As of 31 December 2020, the BSP has a total personnel complement of 5,562 employees consisting of 5,434 regular and 128 contractual, distributed according to location, as follows:

Location	CY 2020	CY 2019	Change
Head Office	4,305	4,217	88
Security Plant Complex	675	700	(25)
Regional Offices/ Branches	582	586	(4)
Total	**5,562**	**5,503**	**59**

In these financial statements, the BSP is also referred to as the "Bank". The MB has approved the release of the financial statements on 29 July 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

Under Section 3 of The New Central Bank (RA No. 7653), as amended by RA No. 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 No. 7653, as amended by RA No. 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) 2020 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 BSP. This includes the highly liquid foreign currency financial reserve assets of the Bank and local currency financial assets that arise from its 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 Bank 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 its equity.

2.3 Consolidation

The BSP's financial statements include the accounts of the Bank and the PICCI as of 31 December 2020. 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.

In accordance with the provisions of PAS 27 - Consolidated and Separate Financial Statements, 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.

2.4 Subsidiary

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 PICC. Under the Second Amendatory Agreement entered into by and between the PICCI and the BSP effective 01 January 2020, the former is entitled to a management fee as compensation equivalent to five per cent (5%) of the gross profit, which shall be payable quarterly. For this purpose, gross profit shall mean all revenues (excluding interest income) after deducting cost of service. 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.

Under PAS 24 - Related Party Disclosures, 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). Additionally, a related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

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.

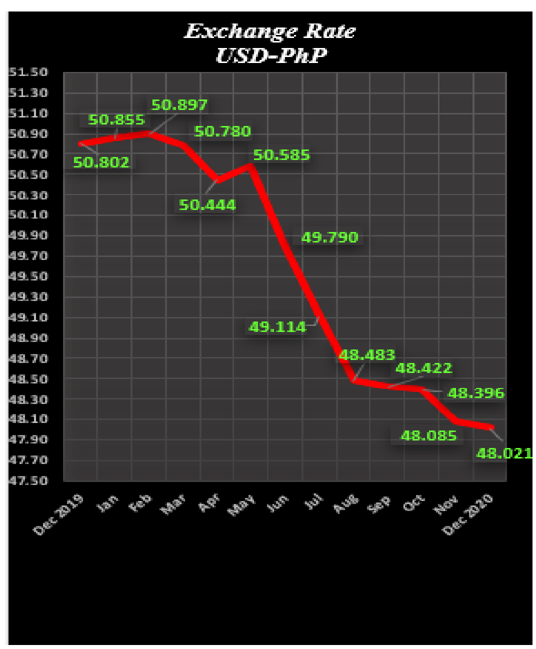
2.7 Foreign currency translation

Transactions denominated in foreign currency are translated to 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 PHP896.63 billion and PHP154.34 billion, respectively.

Exchange rates used are based on the published BSP Reference Exchange Rate Bulletin (RERB). The PHP versus the USD appreciated by PHP2.781 or 5.47%, from PHP50.802 as of end December 2019 to PHP48.021 as of end December 2020. The end-December 2020 rate of PHP48.021 was used in the financial statements. Following are the prevailing month-end WAERs in 2020.

For the Month Ended	Exchange Rate USD-PHP	Change
2020		
December	48.021	(0.064)
November	48.085	(0.311)
October	48.396	(0.026)
September	48.422	(0.061)
August	48.483	(0.631)
July	49.114	(0.676)
June	49.790	(0.795)
May	50.585	0.141
April	50.444	(0.336)
March	50.780	(0.117)
February	50.897	0.042
January	50.855	0.053
2019		
December	50.802	
AVERAGE	**49.489**	



2.8 Recognition of income and expense

2.8.1 Interest income and expenses

The BSP 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 BSP 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 NG's foreign currency deposits (FCDs) are credited to its FCD-TOP account 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 accounts of TOP and other GOCCs.

2.8.2 Fee income

Banks and non-banks institutions, which are subject to the BSP's supervision and examination, 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/MORNBFI) as well as processing fees for the establishment of bank branches, registration fees of pawnshops, accreditation of banks to engage in capital markets, trust activities and similar services. The collection of penalties shall be fifteen (15) days from the date of receipt of the billing notice, by debiting the bank's DDA maintained with the BSP while processing fees, registration fees and other similar fees shall be debited directly against the 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 since 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 Fluctuations 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.

The BSP through the Asset Management Department (AMD), implemented the suspension of payment arising from the sale on installment of BSP-acquired properties covering the period 16 March to 30 June 2020. This is a one-time and short-term payment relief afforded to all buyers of BSP-acquired properties as a response to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic which included (a) suspension of payment of monthly installment due; and (b) extension of payment term equivalent to the suspension period, with the revision of the payment schedule wherein installment due during the period of suspension were moved, among other things. Resultantly, the revision of payment schedule which effectively carved out the suspension period, disregarded the calculation of installment due, any interest, penalty, or any addition to the installment due.

On 22 October 2020, the MB in its MBR No. 1368 approved the revisions of the (i) guidelines and procedures in the disposal of BSP-acquired and other real properties through negotiated sale; and (ii) guidelines on the accreditation and grant of commission to real estate brokers. The revised guidelines, which effectively limit the terms of sale to cash basis, was implemented on 26 October 2020.

2.9 Financial Assets

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 No. 7653, as amended by RA No. 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 No. 7653, as amended by RA No. 11211, as follows:

Classification Per	
PAS 39	**PFRS 9 and RA No. 7653, as amended by RA No. 11211**
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, as follows:

1. 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

2. 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 purchased under agreements to resell, Loan to International Monetary Fund (IMF), IMF Special Drawing Rights (SDR), hold-to-collect investment securities, and placements in overnight lending facility. 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 due to change in price, if any, are 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 recognized in the Income Statement. Past due loans are not reclassified as current until interest and principal payments are updated or the receivables are restructured, and future payments appear assured.

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)

Foreign currency denominated financial assets are classified as FVRR if two criteria are met, as follows:

1. 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

2. 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.

Financial assets classified as FVRR include foreign currency denominated investment securities, except hold-to-collect investment securities, gold and non-IR FX assets.

Upon derecognition, gains or losses due to change in price are recognized in the income statement in compliance with Section 45 of the BSP Charter.

2.9.1.3 Fair value through other comprehensive income (FVOCI)

Domestic financial assets are classified as FVOCI if the two criteria are met, as follows:

- 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.

Financial assets classified as FVOCI include domestic securities.

Upon derecognition, gains or losses are removed from the equity section of the Balance Sheet and 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.

As approved by the MB in its MBR No. 941.A dated 30 July 2020, the measurement of gold was revised from AC to FVRR as the BSP reverted to active from passive strategy in the management of gold reserves.

b. Equity investments (under non-IR FX assets) with the Bank for International Settlements (BIS) were reclassified from AC to FVRR. Changes in FV shall be recognized in the RIR account and in profit or loss upon derecognition.

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 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 reclassification date with cumulative gains or losses previously recognized in the OCI reversed contra the financial asset account. As a result, the financial asset is measured at 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 demand deposits, gold, reacquired bonds issued by BSP, bonds issued by NG, loans to NG and PDIC, IMF-related transactions and equity investments with the BIS, the credit risks of which are assumed to be close or almost equal to zero.

Stage 1 12-month ECL	**Stage 2** Lifetime ECL	**Stage 3** Lifetime ECL
• Financial assets that have low credit risk at the reporting date.	• Financial assets that have had a significant increase in credit risk (SICR) at the reporting date.	• Financial assets that have objective evidence of impairment at the reporting date.
• This refers to ECL that results from possible default events on the financial instrument within 12 months after the reporting date.	• Financial assets that have had an SICR since initial recognition but are not yet deemed credit-impaired at the reporting date.	• This refers to ECL that results from all possible default events over the life of the financial instrument.

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

In the calculation of ECL 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) Credit Default Swaps (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 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 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 thereof) that is required to adjust the loss allowance at reporting date. This shall be recognized by BSP in 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 by the MB is required before the implementation of any write-off, which 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 an 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 an SICR since initial recognition. Generally, the BSP shall consider whether a counterparty/borrower consistently demonstrates a good payment behavior over a period of time before the credit risk is considered to have decreased.

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 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. 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 commissioned by 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 Assets, in the absence of a more realistic basis.

2.12 Bank premises, furniture, fixtures, and equipment (BPFFE)

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 the BPFFE consists of purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance are charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of BPFFE beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are derecognized, and any resulting gain or loss is carried in the income statement. Depreciation, which starts the following month after acquisition, is computed using the straight-line method based on the following expected useful life of depreciable assets, after deducting 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 Assets, an 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 software and application systems (CSAS) shall be recognized as an asset if it is probable that the future economic benefits attributable to the asset will flow to the entity and the cost can be measured reliably. CSAS is carried at cost or capitalized development cost of computer software programs less any accumulated amortization computed using the straight-line method based on estimated useful life of five (5) years. The revised useful life shall be determined for CSAS with revised carrying amount due to replacement, enhancements or improvements as basis for the computation of periodic amortization. Subscription or licensing services for the right to use the CSAS with a contract period of more than one year shall be booked as CSAS. For capitalized subscription and licensing services for CSAS arising from contractual or legal rights, the amortization shall be the contract period or its useful life, whichever is shorter.

2.14 Leases

Effective 1 January 2020, the BSP adopted the applicable provisions of the PFRS 16-Leases. This standard which replaced PAS 17 sets out the principles for the recognition, measurement, presentation and disclosure of leases.

As a lessee, the BSP shall recognize a right-of-use asset and a lease liability at the commencement date to be valued at cost. However, it shall not apply the requirements of PFRS 16 relative to the recognition of right-of-use-asset and a lease liability to (i) short-term leases (lease term is twelve (12) months or less); and (ii) leases for which the underlying asset is of low value. For these leases, the BSP shall continue to recognize its lease payments as an expense on a straight-line basis.

On the other hand, the accounting requirements as a lessor remains substantially unchanged from the PAS 17. Thus, the BSP as a lessor, shall classify each of its lease either as an operating lease or a finance lease. It shall recognize the lease payments from its operating leases as income on a straight-line basis.

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

Items purchased are recorded at historical cost while those received as donations are mostly booked at nominal value. These are presented as Other Assets and considered non-depreciable assets due to their unique characteristics and irreplaceability.

2.17 Financial liabilities

BSP shall initially recognize financial liabilities at cost and subsequently measured at AC except for derivative instruments which shall be subsequently measured at FVRR.

Foreign currency denominated financial liabilities are 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, the realized gains or losses 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.

Interest is accrued monthly and recognized in the Income Statement. See Note 2.8.1

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 price or exchange rates are recognized in the RIR account in the balance sheet, and in the 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 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. For USD/PHP swaps, 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. For third currency swaps, gains or losses are not recognized on the first leg. 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 (for USD/PHP swaps) or the historical moving average rate (for third-currency swaps) 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. Furthermore, if an option is exercised resulting in the sale of underlying asset, trading gains or losses from the sale 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 facility, overnight deposit facility, term deposit facility, BSP securities 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. RRPs 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) on interest on RRP transactions. In view of the Bureau of Internal Revenue (BIR) Ruling dated 29 June 2020, the BSP discontinued withholding the five per cent (5%) gross receipts tax (GRT) on interest accruing on RRP transactions after 31 July 2020.

2.19.3 Overnight deposit facility (ODF)

The ODF is a BSP standing facility which allows banks (universal, commercial, specialized and thrift), 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.

Interest on ODF transactions are subject to twenty per cent (20%) FWT. In view of the BIR's Ruling dated 29 June 2020, the BSP discontinued withholding GRT on interest accruing on ODF transactions after 31 July 2020.

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.

Interest on TDF transactions are subject to twenty per cent (20%) FWT. In view of the BIR's Ruling dated 29 June 2020, the BSP discontinued withholding GRT on interest accruing on TDF transactions after 31 July 2020.

2.19.5 BSP securities facility (BSP SF)

BSP Securities are monetary instruments issued by the BSP for its monetary policy implementation and liquidity management operations to steer short-term market interest rates towards the policy rate and influence liquidity conditions in the financial system. The issuance of BSP securities complements the other short-term monetary policy tools to manage liquidity in the financial system, such as, the OLF, RRP facility, ODF and TDF. The issuance of BSP Securities provides greater flexibility in managing the liquidity in the financial system, particularly in the face of large structural liquidity surplus arising from capital flows or additional liquidity released from the reduction in the reserve requirement ratios of banks. BSP Securities will likewise add to the pool of risk-free assets in the financial system alongside the securities issued by the NG which can be traded for liquidity purposes. Through the regular auction of BSP Securities, the issuance of BSP Securities can contribute to improve price recovery for debt instruments and support monetary policy transmission in the process. BSP Securities are considered high-quality liquid assets (HQLA) for the computation of liquidity coverage ratio (LCR), net stable funding ratio (NSFR), and minimum liquidity ratio (MLR). Only banks (universal, commercial, thrift) and NBQBs can participate in the auction and secondary market trading at the initial phase. Similar to TDF, the BSP SF has a 28-day tenor and the transactions are subject to twenty per cent (20%) FWT.

2.19.6 Securities lending agreements

To maximize returns on 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 the BSP's investment guidelines. The 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 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.

While foreign securities lent out remain in the foreign securities account in the Balance Sheet, these are reclassified every end of the month to distinguish the same from those 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 accrues 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 (PF) 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 falls 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 PF is declared as the fund members' share in its earnings 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 PF was established in accordance with RA No. 4537, An Act Authorizing the Establishment of a Provident Fund in Government-Owned or Controlled Banking Institutions approved on 9 June 1965. 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 (HF) established in CY 1978, wherein the contribution is similar to the PF.

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 PF and HF 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 PF.

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 PF 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

The 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 (OP) on 20 July 1992. Effective 21 December 2017, the 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 PF Board of Trustees through the PFO and is operated independently of the existing PF 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 are eligible to retire under RA No. 1616. Based on a study made by the 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 are 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 (MCA)

In MBR No. 2147 dated 20 December 2018, the MB approved the 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 separation 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 setup 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 general fund through the “Due from Administrator of Funds” account and all income accrues to the Fund. There was no additional provision since CY 2006 as it was determined that the fund balance is sufficient to cover the highest single amount of accountability covered by the Fund. No claims have been charged thereon since the establishment of the Fund.

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 general fund through the “Due from Administrator of Funds” account. Investments of the Fund are in government securities and all income accrues to the Fund.

In CY 2020, the fund balance was increased to PHP6.00 billion pursuant to MBR No. 649 dated 27 May 2021 in order to meet the estimated maximum risk exposure at any given time.

2.22.3 BSP properties self-insurance fund

The MB approved to set up a 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 Fund earnings to pay for the annual insurance premium; designated the BSP PFO to administer and manage the Fund; and approved the accrual of all income to the Fund. On 4 April 2013, the MB 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 are eligible to retire under RA No. 1616. See Note 2.21.4.

2.22.5 Directors’ and officers’ liability insurance 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 general fund 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 fluctuations in foreign exchange rate and price of gold

These reserves were initially set up in CY 1998 as repository of provisions for potential loss arising from the volatility of the exchange rates and prices 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 Fluctuations 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. 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:

	2020	2019
FX commitment receivable/payable	425,128,942,292	464,749,688,375
FX commitment receivable/sales	0	28,051,288,800
Currency unissued	154,613,370,000	154,613,370,000
LCs held/received in process	12,852,575,888	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 2020:

	Note	USD	PHP
FX commitment receivable/payable (no maturity)			
Chiang Mai initiative multi-lateralization agreemen (CMIM)	2.23.5.a	9,104,000,000	399,920,512,000
Note purchase agreement (NPA)	2.23.4.c	1,000,000,000	13,142,000,000
New arrangements to borrow (NAB)	2.23.4.b	502,071,822	12,055,011,022
Foreign Currency Forwards	2.23.2	237,723	11,419,270
Total		**10,606,309,545**	**425,128,942,292**

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 under various 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 2020, total IMF drawdowns amounted to SDR525.300 million (USD764.335 million), where payments received totaled SDR84.500 million (USD116.358 million) leaving an outstanding balance of SDR440.800 million (USD647.977 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 (USD528.555 million).

As of end December 2020 out of total commitment of SDR340.000 million (USD528.555 million), total loans granted amounted to SDR89.920 million (USD133.156 million). Repayments received from the IMF reached SDR75.397 million (USD106.673 million), leaving an outstanding loan balance of SDR14.523 million (USD26.483 million). The amount of SDR325.477 million (USD502.072 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 (PN) in a total principal amount up to USD1.000 billion. The commitment under the NPA was booked in 2013. As of end 2020 no transactions were made under the agreement.

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 PN 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 2020, no transactions were made, however, a test run was conducted with BSP as the swap providing party while the Bank of Vietnam and Bank of Lao PDR were 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 USD600.000 million 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 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 Section 132 (b) RA No. 7653, as amended by RA No. 11211, the BSP remits seventy-five per cent (75%) of its net profits to the National Treasury as dividends, until such time as the net liabilities of the old central bank have been liquidated through generally accepted finance mechanisms 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 No. 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 NG.

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 income 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 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 No, 7653, as amended by RA No. 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 No. 7653, as amended by RA No. 11211 was repealed by RA No. 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 - Income Taxes. 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 (DTA) 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 (MCIT) over regular income tax; c) carry-forward of net operating loss; and, d) carry forward of unused tax credits. Deferred tax liabilities (DTL), 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 DTA and DTL.

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 recently amended by RA No. 11354 or the "Corporate Recovery and Tax Incentives for Enterprises" (CREATE) Act, the Bank's income tax obligation is based on (a) Regular Corporate Income Tax (RCIT) computed at twenty-five per cent (25%) of net taxable income; or (b) MCIT computed at one per cent (1%) based on gross income, whichever is higher. In accordance with RMC No. 50-2021, the rates of RCIT and MCIT applicable to the BSP for the transition year 2020 are twenty-seven and a half per cent (27.50%) and one and a half per cent (1.50%), respectively. 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/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.

In view of the tax exemption of the BSP, its interest income on government securities collected on every coupon date are no longer subject to the twenty per cent (20%) FWT. However, the twenty percent (20%) FWT attributable to the discount on Treasury Bills purchased from the secondary market are still charged as part of the purchase price paid by the BSP. These 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 (DOF) 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, the BSP acts as withholding agent on income payments made to its suppliers and other counterparties. For its gold buying operations, the sale of gold by registered small-scale miners and accredited traders are exempt from income tax and excise tax pursuant to RA No. 11256, also known as "An Act to Strengthen the Country's Gross International Reserves". However, the BSP continues to act as a withholding agent for creditable withholding taxes and collecting agent for excise taxes on gold purchased from non-registered/accredited small-scale miners and traders.

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 within the Bank. In line with this, the BSP has created a risk management structure composed of an MB level Risk Oversight Committee responsible for ensuring the effectiveness of the ERM framework in the Bank, a centralized Risk and Compliance Office (RCO) that acts as a coordinating body and process oversight on risk management, and decentralized Risk Management Units (RMUs) responsible for promoting and coordinating the implementation of the ERM in the operating units.

The BSP is exposed to financial risks associated with its foreign and local currency activities. In managing the risks, the FMOSS, Department of Loans and Credit (DLC), and AMD are guided by policies approved by the MB.

Financial risks arising from reserve management activities are managed through adherence to investment guidelines 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 metrics, which measures the sensitivity of the portfolios to changes in interest rate factors. In addition, the Bank uses Value-at-Risk (VaR) and Conditional VaR (CVaR) to aggregate the risks of all actively managed portfolios. 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 risk that the value of an investment will fluctuate due to changes in exchange rates. The investment guidelines specify currency limits to manage currency deviations. Adherence to currency limits is monitored daily.

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 2020, grouped into assets and liabilities at carrying amounts:

Currency	Original Currency	USD Equivalent
Assets		
USD	102,973,760,717	102,973,760,717
AUD	3,172,812,366	2,445,257,879
GBP	1,708,076,744	2,334,251,046
JPY	236,604,498,147	2,294,827,028
CNY	9,230,561,729	1,413,928,215
SDR	962,452,053	1,386,190,818
CNH	2,084,775,703	320,596,808
EUR	16,948,818	20,747,048
CAD	1,222,970	961,757
Liabilities		
USD	13,835,386,511	13,835,386,511
SDR	862,783,123	1,242,640,649
EUR	116,673,332	142,819,826
JPY	1,529,081,036	14,830,557
CAD	1,100,116	865,143
CNH	4,302,995	661,714
GBP	11,325	15,423

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 BSP 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. ECL – estimates the allowance for credit losses by considering in a discounted bases the exposure at default, the probability of occurrence and the LGD.

e. 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	PN secured by guarantees of the ROP, PN 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 has procured 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. Build and configuration activities, as well as testing of the system, are currently in progress.

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. 27 February 2020 the relocation of the BSP-Iloilo Branch to a more suitable site within Iloilo City and purchase of a 4,864 square meter commercial property located at

Block 1, Lots 4 to 7, Iloilo Business Park, Mandurriao, Iloilo City, owned by Megaworld Corporation, at PHP54,400.00 per sq.m., or a total cost of PHP264,601,600.00 to serve as relocation site for the BSP Iloilo Branch.

b. 13 March 2020 the award of the contract to Powerlift Elevator & Escalator Corp. for one lot supply of labor, tools, materials, equipment, technical supervision, testing, commissioning, and other services necessary for the replacement of 20 units elevators at the BSP Head Office, as per terms of reference and approved plans, in the total amount of PHP117,978,000.00, DDP, BSP Manila.

c. 16 April 2020 the award of contracts to Royal Canadian Mint, through FMC Research Solutions Inc., and Mint of Finland, through Stan Chem Philippines, Inc., for the supply and delivery of 20-piso New Generation Currency outsourced finished coins, as per BSP technical specifications and terms of reference, in the total amount of USD127,677,000.00, DAP, BSP-Quezon City (Incoterms 2010), equivalent to PHP6,483,438,060.00, based on the BSP exchange rate of USD1.00=PHP50.7800, prevailing on 1 April 2020 opening of bids.

d. 4 June 2020 the approval of the BTr's request for extension for three months of the PHP300 billion repurchase agreement between the BSP and BTr, which is set to expire on 29 June 2020.

e. 18 June 2020 the approval of the award to Royal Canadian Mint, through FMC Research Solutions, Inc., for the supply and delivery of 20-Piso New Generation Currency outsourced finished coins, as per BSP technical specifications and terms of reference, in the total amount of USD62,193,000.00, DAP, BSP-Quezon City (Incoterms 2010), equivalent to PHP3,154,864,311.00 based on the BSP reference rate of USD1.00=PHP50.7270 prevailing on 23 May 2020 opening of bids.

f. 3 September 2020 the award of contract to Asian Aerospace Corporation for one lot engagement of chartered aircraft services (Big Aircraft) for BSP shipments of official cargoes, as per BSP technical specifications and terms of reference, in the total amount of PHP138,146,534.00, VAT inclusive.

g. 3 September 2020 the award of contract to Simcorp Singapore Pte. Ltd., for one lot hiring of consultancy services for the development, supply, delivery, installation, configuration, testing, integration, implementation, and commissioning of a Treasury Portfolio Management System, as per BSP terms of reference and annexes, in the total amount of PHP410,881,000.00, inclusive of all applicable taxes.

h. 24 September 2020 the award of contract to AllCard Inc., for the supply, delivery, installation, and commissioning of 1) one lot lease of card production equipment for a period of three years, and 2) one lot lease of card personalization equipment for a period of four years including provision of technical and maintenance support personnel, training of BSP/Philippine Statistics Authority personnel, and supply and delivery of raw materials, consumables, and wear-and-tear spare parts for 116 million pieces Philippine National ID Cards, as per BSP technical specifications and terms of reference, in the total amount of PHP2,614,640,000.00, VAT inclusive.

i. 24 September 2020 the request of the BTr for Provisional Advances (PA) to the NG amounting to PHP540 billion, to provide substantial fiscal stimulus to the economy to address the adverse impact of COVID-19 pandemic in the Philippines. The loan was extended pursuant to Section 89 of RA No. 7653, as amended, and subject to the conditions provided therein, as well as the following terms: (i) Form: PN to be issued by the NG; (ii) Maturity: on or before 29 December 2020; (iii) Disbursement: within the first week of October 2020; and (iv) Interest: 0%.

j. 01 October 2020 the grant of, among others, authority to the Governor to sign the advice letter informing the NG of the approval of NG's request for a new tranche of PA; and conditions/requirements prior to drawdown of the PA.

k. 22 October 2020 the revisions to the (a) Guidelines and Procedures in the Disposal of BSP's Acquired and Other Real Properties through Negotiated Sale; and (b) Guidelines on the Accreditation and Grant of Commission to Real Estate Brokers, which limit effectively the terms of sale to cash basis.

l. 13 November 2020 the award of contract to The Joint Venture of Active Business Solutions, Inc., and Evolutionary Systems Company Ltd., for one lot supply, delivery, installation, configuration, customization, testing, and implementation of the appropriate hardware, software, database management system, all associated licenses, and related services necessary to implement successfully the Integrated Financial Management Information System Solution, as per BSP terms of reference, in the total amount of Php495,365,517.61, inclusive of all applicable taxes.

m. 19 November 2020 the award of the contracts for 1) Lot 1 (1000-Piso), to Crane AB through Stan Chem Philippines, Inc.; and 2) Lot 2 (500-Piso), to GieseckeDevrient 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, as per BSP technical specifications and terms of reference, in the total amount of EUR70,290,750.00, carriage paid to and/or CFR, Manila (Incoterms, 2020), equivalent to PHP4,013,348,778.30 based on the BSP reference rate of EUR1.00=PHP57.0964, prevailing on 28 October 2020 opening of bids.

n. 26 November 2020 the write-off of the consolidated residual claims of the DLC and FSS against various closed banks in the total amount of PHP205,785,892.39 as of 31 December 2019.

o. 22 December 2020 the award of the contracts to Refinitiv Limited - Philippine Branch for the subscriptions to Refinitiv Eikon Premium with Datastream for office and other support services covering the period 1 January 2021 to 31 December 2022 for the use of various departments/offices of the BSP in the total amount of USD2,904,496.32, VAT inclusive, equivalent to PHP140,141,947.44 based on BSP reference rate of USD1.00=PHP48.250, prevailing on 18 November 2020 date of opening of request for confirmation.

p. 22 December 2020 the award of contract to Bloomberg Finance Singapore L.P. for the subscriptions services covering the period 1 January 2021 to 31 December 2022 for the use of various departments/offices of the BSP in the total amount of USD4,961,893.60, VAT inclusive, equivalent to PHP238,418,987.48 based on BSP reference rate of USD1.00=PHP48.050 prevailing on 2 December 2020opening of price confirmation.

q. 28 December 2020 the request of the PICCI to 1) increase its authorized capital stock from PHP50 million to PHP1 billion; and 2) authorize the BSP, through the BSP Management, to subscribe to 2,500 shares of the increased capitalization of PICCI and pay the amount of PHP250 million for the subscribed shares.

r. 28 December 2020 the award to IBM Philippines, Inc. of the contract for the multi-year comprehensive maintenance agreement for the IBM Machines (IBM hardware, software and peripherals) of the BSP, as per BSP terms of reference and service level agreement in the total amount of PHP103,630,712.40 (Lot 1-PHP60,127,491.12 and Lot 2-PHP43,503,221.28) inclusive of all applicable taxes and other charges.

s. 28 December 2020 the award of contract to Extra Ordinaire Janitorial and Manpower Services, Inc., for one lot supply of labor, tools, equipment, materials and supplies including supervision for janitorial, hauling, regular disinfection and sanitation, and other related services for the BSP Head Office, for a period of three years, as per BSP terms of reference in the total amount of PHP50,027,508.53 per year or PHP150,082,525.59 for three years, inclusive of all applicable taxes and other charges.

t. 28 December 2020 the award of contract to Yek Yeu Merchandising, Inc., for one lot supply, delivery, installation, and commissioning of Integrated Solution for Closed Circuit Television System or Video Surveillance System through a systems integrator at the BSP Head Office, Quezon City, BSP Davao, Cebu and La Union ROs, and BSP Baguio and Palawan Branch Offices, as per BSP terms of reference in the total amount of PHP269,000,000.00, VAT inclusive.

u. 28 December 2020 the award of contract to LServe Corporation for five lots supply of personnel for manpower and related services, as per the BSP terms of reference in the total amount of PHP278,245,676.94, inclusive of all applicable taxes and other charges.

v. 28 December 2020 the BTr’s request for the PHP540 billion PA in January 2021, subject to the (a) same terms and conditions as the borrowing arrangement in October 2020: and (b) legal feasibility of using the NG revenues for January to November 2020 in determining the lending ceiling, pursuant to Section 89 of RA No. 7653 (The New Central Bank Act), as amended.

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	2020	2019
DFFB-Demand Deposit	a	124,945,306,803	127,110,199,179
DFFB-Time Deposit	b	659,200,531,665	330,571,390,837
Allowance for impairment loss		(5,536,364)	(13,623,297)
		659,194,995,301	330,557,767,540
		784,140,302,104	457,667,966,719
Accrued interest		179,124,429	901,975,104
Total		**784,319,426,533**	**458,569,941,823**

a. **Due from foreign banks - demand deposits (DFFB-DD)** represents BSP's FCD 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. All foreign currencies are recorded at their peso and/or dollar equivalent based on the BSP RERB.

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

	2020	2019
Marketable securities	2,448,981,141,183	2,070,003,661,282
Allowance for impairment loss	(11,337,620)	(9,912,439)
	2,448,969,803,563	2,069,993,748,843
Other investments	895,287,650,649	785,443,352,913
	3,344,257,454,212	2,855,437,101,756
Accrued interest	10,250,039,757	10,216,445,795
Total	**3,354,507,493,969**	**2,865,653,547,551**

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 (PHP820.227 billion), Asian bond fund (PHP40.499 billion) and BISIP (Bank for International Settlement and Investment Pool – PHP34.562 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.

	2020	2019
Foreign securities purchased under agreements to resell	493,434,983,400	639,566,698,800
Allowance for impairment loss	(121,669)	(506,939)
	493,434,861,731	639,566,191,861
Accrued interest	0	25,725,306
Total	**493,434,861,731**	**639,591,917,167**

10. LOAN TO INTERNATIONAL MONETARY FUND

This represents calls on the NAB facility of the IMF. The NAB facility is a 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.

	2020	2019
Beginning balance-January 1	1,401,556,656	2,106,860,011
Deduct:		
Repayment	334,806,971	546,644,855
Revaluation adjustments	62,326,823	158,658,500
	397,133,794	705,303,355
	1,004,422,862	1,401,556,656
Accrued interest	190,891	1,977,622
Ending balance-December 31	**1,004,613,753**	**1,403,534,278**

11. GOLD

	Note	2020	2019
In bullion vault	a	246,727,992,903	136,376,437,437
With foreign financial institutions	b	310,577,290,609	270,846,004,946
Ending balance-December 31		**557,305,283,512**	**407,222,442,383**

a. Gold in bullion vaults

	2020		2019	
	FTO	PHP	FTO	PHP
Opening balance-January 1	**2,687,125.692**	**136,376,437,437**	**2,590,901.525**	**174,494,554,003**
Addition/deduction during the year: Net increase/(decrease) due to price/rate revaluation	0	110,351,555,466	0	(38,118,116,566)
Ending balance-December 31	**2,687,125.692**	**246,727,992,903**	**2,590,901.525**	**136,376,437,437**

	USD/FTO	USD/FTO
Revaluation Rate	1,912.05	1,036.11
Moving Average Rate	1,062.02	1,036.11

b. Gold with foreign financial institutions

	2020		2019	
	FTO	PHP	FTO	PHP
Opening balance-January 1	**3,772,619.176**	**270,846,004,946**	**3,772,557.048**	**254,077,838,617**
Additions during the year:				
Purchases	0.521	48,570	62.128	3,953,125
Net increase due to price/rate revaluation	0	39,726,383,993	0	16,764,213,204
	0.521	39,726,432,563	62.128	16,768,166,329
	3,772,619.697	310,572,437,509	3,772,619.176	270,846,004,946
Accrued interest		4,853,100		0
Ending balance-December 31	**3,772,619.697**	**310,577,290,609**	**3,772,619.176**	**270,846,004,946**

	USD/FTO	USD/FTO
Revaluation Rate	1,912.05	1,413.18
Moving Average Rate	1,413.18	1,413.18

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.

	2020	2019
Beginning balance-January 1	60,044,813,011	62,220,434,997
Add/(deduct):		
Income accruing to the fund	272,541,734	882,781,538
Revaluation	(917,101,692)	(2,403,079,207)
Payment of interest and assessment	(183,833,294)	(625,881,584)
Adjustment due to moving average computations/change in policy	(12,824,499)	(29,442,733)
	(841,217,751)	(2,175,621,986)
	59,203,595,260	60,044,813,011
Accrued interest	10,260,361	78,061,545
Ending balance-December 31	**59,213,855,621**	**60,122,874,556**

13. LOANS AND ADVANCES

	Note	Percent to Total	2020	2019
<u>Local currency loans and advances</u>				
Philippine Deposit Insurance Corp.	a	31.41	35,977,901,954	53,614,361,496
National Government				
Assumed Obligations of:				
Philippine National Bank	b.1		350,000,000	350,000,000
Development Bank of the Philippines	b.1		442,499,511	442,499,511
IMF quota subscription	b.2		68,352,097,440	77,921,409,740

	Note	Percent to Total	2020	2019
		60.36	69,144,596,951	78,713,909,251
Emergency	c			
Commercial bank			1,578,259,753	1,578,259,753
Thrift banks			63,220,562	64,895,550
Rural/Cooperative banks			197,381,781	212,399,634
Non-Bank Financial Institution			3	3
		1.60	1,838,862,099	1,855,554,940
Allowance for impairment loss			(1,824,239,677)	(1,836,462,372)
			14,622,422	19,092,568
Rediscounting	d			
Universal/Commercial banks			5,747,160,000	3,680,000,000
Thrift banks			26	343,463
Specialized bank			90	153
Rural/Cooperative banks			41,302,348	158,679,649
		5.05	5,788,462,464	3,839,023,265
Allowance for impairment loss			(25,949,187)	(142,714,720)
			5,762,513,277	3,696,308,545
Overdrafts/overnight clearing line		1.54	1,761,460,727	1,761,634,821
Allowance for impairment loss			(1,758,735,317)	(1,757,623,123)
			2,725,410	4,011,698
Special program				
Thrift banks			3,428,063	4,077,768
Specialized bank			12,700,812	12,811,512
Rural/Cooperative banks			29,749,986	87,156,297
		0.04	45,878,861	104,045,577
Allowance for impairment loss			(45,737,310)	(103,904,027)
			141,551	141,550
Total		100.00	114,557,163,056	139,888,529,350
Allowance for impairment loss	e		(3,654,661,491)	(3,840,704,242)
Net			110,902,501,565	136,047,825,108
Accrued interest			19,994,929,527	23,017,423,745
Allowance for impairment loss - accrued interest			(9,164,336)	(18,967,104)
Net			19,985,765,191	22,998,456,641
Total			**130,888,266,756**	**159,046,281,749**
Total local currency - loans and advances			**114,557,163,056**	**139,888,529,350**
Allowance for impairment loss	e		**(3,654,661,491)**	**(3,840,704,242)**
Net			**110,902,501,565**	**136,047,825,108**
Amount past due (**Annex B**)			**7,447,456,108**	**7,654,850,363**
Per cent of past due to total local currency - loans and advances			**6.50**	**5.47**

a. **Loans to PDIC** intended as Financial Assistance (FA) to banks, decreased to PHP35.978 billion from last year’s level of PHP53.614 billion due to collections during the year aggregating PHP17.636 billion; of which, PHP17.623 billion pertains to PDIC’s full payment prior to due date of its loans with the BSP used as FAs to three banks. The outstanding loans to PDIC constituted 31.41 per cent of the total 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 the Philippine National Bank (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 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. As of 31 December 2020, the OP has yet to resolve PDIC's appeal.

b.1 Loans and advances to NG on assumed obligations pertain to loans and advances of the then CBP 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 the following:

1. Quota increase of SDR1.024 billion per IMF Resolution No. 66-2 (from SDR1.019 billion to SDR2.043 billion) as a result of the Fourteenth General Review of Quotas at the IMF, evidenced by PN dated 18 February 2016 amounting to PHP68.352 billion, with a maturity date of 17 February 2021, renewed for another period of five years or until 17 February 2026; and

2. Ad hoc quota increase for the Philippines of SDR0.139 billion per IMF Resolution No. 63-2 (from SDR0.880 billion to SDR1.019 billion) as a result of the 2008 Quota and Voice Reform of the IMF, evidenced by PN dated 11 July 2016 amounting toPHP9.569 billion, with a maturity date of 10 July 2021 pursuant to Section 2 of RA No. 2052. The said advances were fully settled in advance by the BTr on 28 December 2020.

Relatedly, the BSP may also grant PA to the NG pursuant to Section 89 of RA No. 7653, as amended by RA No. 11211. On 24 September 2020, the MB approved the release of new tranche of PA by the BSP to the NG amounting to PHP540.000 billion, covered by a non-negotiable and non-interest bearing PN dated 06 October 2020, with maturity date of 29 December 2020. The said PA was fully settled on 18 December 2020, before its maturity date.

c. Emergency Loan Facility 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

Section 84 to 88 of RA No. 7653, as amended, 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. Rediscounting Facility is a standing credit facility provided by BSP to help banks meet temporary liquidity needs by refinancing the loans they extend to their clients. Rediscounting loans of PHP5.788 billion, which account for 5.05 per cent of the local currency loan portfolio, increased by PHP1.949 billion or 50.78 per cent from last year-end balance of PHP3.839 billion due to higher availments than collections. The outstanding loans from the 2020 availments are yet to mature in the following year.

e. Allowance for Impairment Loss (AIL) – of the total outstanding loans and advances which amounted to PHP114.557 billion exclusive of accrued interest receivable, 3.19 per cent or PHP3.655 billion is provided with AIL. The decrease in the balance of AIL in loans and advances from PHP3.841 billion to PHP3.655 billion is attributable to the write-off of residual claims from closed banks during the year aggregating PHP0.186 billion.

14. OVERNIGHT LENDING FACILITY

	2020	2019
Overnight lending facility	0	41,100,000,000
Allowance for impairment loss	0	(335,012)
	0	41,099,664,988
Accrued interest	0	20,550,000
Total	**0**	**41,120,214,988**

There were no outstanding Overnight Lending Facility availments as of 31 December 2020.

15. OTHER RECEIVABLES

	Note	2020	2019 (as restated)
Foreign currency receivables			
Non-IR foreign exchange assets	a	184,036,838,540	103,184,992,183
Accrued interest - Non-IR		1,565,420,450	1,573,121,600
Due from foreign banks/branches	b	25,507,866	26,949,581
Accrued income receivable		2,391,790	3,282,813
Total		**185,630,158,646**	**104,788,346,177**
Local currency receivables			
Accounts receivable -TOP	c	15,294,117,436	16,244,044,992
Sales contracts receivable	d	3,854,189,260	3,944,046,208
Accrued interest - sales contracts receivable		46,186,213	23,066,052
Accounts receivable		3,393,589,019	3,067,089,965
Allowance for impairment – AR		(2,022,445,592)	(1,992,966,045)
		1,371,143,427	1,074,123,920
Notes receivable	e	1,366,730,850	1,366,730,850
Allowance for impairment – NR		(767,846,193)	(804,494,692)

	Note	2020	2019 (as restated)
		598,884,657	562,236,158
Receivables from staff/others		510,051,179	482,722,522
Due from local banks		480,395,455	890,865,743
Items under litigation	g	18,758,420	18,758,420
Allowance for impairment		(4,258,420)	(4,258,420)
		14,500,000	14,500,000
Lease receivable	f	77,910,045	84,961,549
Allowance for impairment – Lease Receivable		(77,910,045)	(84,913,432)
		0	48,117
Total		**22,169,467,627**	**23,235,653,712**

	Balance, 31 December 2019, before adjustments	Adjustments	Balance, 31 December 2019, as restated
Local currency receivable			
Sales contracts receivable	3,919,415,132	24,631,076	3,944,046,208
- Prior year's sale of acquired assets		24,631,076	
Accrued interest - sales contracts receivable	19,675,754	3,390,298	23,066,052
- Collection of prior year's interest income on sale of acquired assets		3,390,298	
Accounts receivable	3,057,484,728	9,605,237	3,067,089,965
- Overpayment of personnel services and other		5,875,723	
- Adjustments on vault/space rental charges, lost properties, penalties, supervisory fees, legal fees and other earnings		1,762,215	
- Unrecorded receivable from penalties		1,200,010	
- Shares of lessee/borrowers /buyers on electricity, foreclosure expenses, real estate tax and other expenses advanced by BSP		728,485	
- Disallowances on medical/hospitalization claims and trainings		38,804	
Allowance for impairment - AR	(1,993,134,266)	168,221	(1,992,966,045)
- Adjustment of previously set up allowance for impairment due to adjustment in related receivable		168,221	
Receivables from staff/others	511,073,689	(28,351,167)	482,722,522
- Liquidation of prior year's cash advances of BSP & Non-BSP personnel	-	(28,351,167)	
Lease receivable	84,938,821	22,728	84,961,549
- Application/adjustment of rental payments		22,728	

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 BIS authorized under MBR No. 1304 dated 10 September 2003.

The increase was primarily due to net revaluation gains of PHP10.011 billion and net investment activity of PHP63.198 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 PHP maintained with the BSP based on change in PHP/SDR exchange rate. The balance decreased by PHP0.950 billion due to revaluation of the IMF holdings during the year.

d. Sales contracts receivable pertains to receivables arising from the installment sale of BSP assets owned or acquired which is covered by a duly executed Contract to Sell, broken down as follows:

		Total 2020	Current	Non-Current
I.	**Auction/negotiated sales**			
	a. BSP personnel	12,543,571	2,946,893	9,596,678
	b. Non-BSP personnel/others	3,495,200,566	691,578,257	2,803,622,309
	c. Restructured principal - Non-BSP	9,637,983	2,041,640	7,596,343
	d. Restructured interest - Non-BSP	1,588,442	355,207	1,233,235
		3,518,970,562	696,921,997	2,822,048,565
II.	**Sales under AMD - PFO housing program**			
	a. BSP personnel	264,953,715	15,537,480	249,416,235
	b. Non-BSP personnel/others	70,264,983	4,246,238	66,018,745
		335,218,698	19,783,718	315,434,980
	Total	**3,854,189,260**	**716,705,715**	**3,137,483,545**

e. Notes receivable is a BSP claim against First Philippine International Bank (now First Producers Holdings) guaranteed by a 28.5 year scripless Treasury Bonds (TBs) 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.

In 2020, 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 2020 is equivalent to its net recoverable value of PHP598.885 million consisting of the escrow fund of PHP560.925 million (balance as of 31 December 2019) and the 30-year FXTB of PHP37.960 million maintained with the BSP.

f. Lease receivable - This represents agreed amount of lease/rental by the Bank of its properties under lease contracts.

g. Items under litigation

	Note	2020	2019
CSS-Financial Accounting Department	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)
Net		**14,500,000**	**14,500,000**

a. Pilfered clearing items paid to Bank of Philippine Island (BPI) worth PHP4.500 million under Case No. 18793 and tampered denominated Treasury bills of PHP10.000 million under Case No. 88-2389.

b. Uncollected claims from the BSP officer of BSRU-Tacloban arising from misappropriated cash on hand under Civil Case No. 97-11-219.

c. Amount of loss declared in the robbery case at BSRU-Legazpi cash vault filed under Case No. 6672.

16. INVESTMENTS SECURITIES – DOMESTIC

		2020		2019	
	Note	Face Value	Market Value	Face Value	Market Value
BSP-Head Office	a				
Treasury bills		190,563,023,000	190,004,016,467	174,543,109,000	173,156,514,937
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		970,884,080,904	1,127,491,419,136	2,723,192,023	2,859,137,378
		1,211,447,103,904	1,367,495,435,603	227,266,301,023	226,015,652,315
Accrued interest			13,429,635,978		121,349,761
Total			**1,380,925,071,581**		**226,137,002,076**

a. Movement in investment securities is summarized as follows:

	2020	2019
Beginning balance, January 1	**226,015,**652,**315**	**223,159,426,195**
Add/(Deduct):		
Purchases	1,593,135,255,457	421,793,175,132
Marking to market	13,891,907,170	2,186,458,579
Redemption	(459,798,416,223)	(421,275,966,228)
Net premium amortization	(3,169,470,494)	(1,299,598)
Accrual/reversal of discount	(2,328,256,677)	247,100,162
Sales	(251,235,945)	(93,241,927)
	1,141,479,783,288	2,856,226,120
Ending balance, December 31	**1,367,495,435,603**	**226,015,652,315**

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

	90-180 days	181-365 days	More than 1 year	Total
Treasury bills	66,978,059,500	123,025,956,967	0	190,004,016,467
Fixed rate treasury bonds	839,521,934	16,042,298,952	1,110,609,598,250	1,127,491,419,136
Semi-annual FLT Treasury bond	0	0	50,000,000,000	50,000,000,000
Total	**67,817,581,434**	**139,068,255,919**	**1,160,609,598,250**	**1,367,495,435,603**

17. DUE FROM ADMINISTRATOR OF FUNDS

	Note	2020	2019 (as restated)
Financial Accounting Department			
Fidelity insurance		22,247,379,248	22,247,379,248
Currency insurance		6,000,000,000	2,800,295,564
Gold insurance		9,333,617	9,333,618
Industrial fund		2,515,220	2,515,220
Post-retirement benefit		1,787,370	2,152,370
		28,261,015,455	25,061,676,020
Provident Fund Office			
BSP Properties self-insurance fund	a	2,883,450,266	2,787,837,516
Post-retirement benefit	a	1,827,322,832	1,751,548,722
Directors' and officers' liability insurance fund	a	1,777,954,077	1,708,084,708
Car plan fund		1,246,825,228	1,246,825,228
Provident fund		180,001,906	176,338,045
		7,915,554,309	7,670,634,219
Total		**36,176,569,764**	**32,732,310,239**

a. The increase in CY 2020 represents income from managed fund in the amount of PHP241.532 million and additional provision of Reserve for Currency Insurance Fund amounting to PHP3.199 billion, per MBR No. 649 dated 27 May 2021.

Provident Fund, 31 December 2019, before adjustment	262,823,914
Deduct:	
Booking of prior year's MCA	86,485,869
Due from administrator of funds, 31 December 2019, as restated	**176,338,045**

18. ACQUIRED ASSETS HELD FOR SALE

	2020	2019 (as restated)
Acquired assets held for sale	1,637,334,926	130,931,653
Allowance for market decline	(235,885,846)	(872,619)
Net	**1,401,449,080**	**130,059,034**

	TCTs	Book Value
Acquired assets held for sale, 31 December 2019, before adjustments	642	155,061,372
Add/(deduct)		
Capitalization of foreclosure expenses	0	364,436

	TCTs	Book Value
Prior year's sale of acquired assets	(130)	(24,494,155)
	(130)	(24,129,719)
Acquired assets held for sale, 31 December 2019, as restated	**512**	**130,931,653**

Allowance for market decline, 31 December 2019, before adjustments	1,061,030
Deduct:	
Prior year's sale of acquired assets	188,411
Acquired assets held for sale, 31 December 2019, as restated	**872,619**

Movement of acquired assets held for sale for the year 2020:

	TCTs	Book Value
Balance, 01 January 2020	512	130,931,653
Additions:		
Transfer from investment property	4,706	1,863,871,263
Net reclassification/adjustments	148	19,812,405
	4,854	1,883,683,668
Deductions:		
Sale/negotiation	2,154	355,692,881
Revert to investment property	160	21,587,514
	2,314	377,280,395
Balance, 31 December 2020	**3,052**	**1,637,334,926**

19. INVESTMENT PROPERTY

	2020	2019 (as restated)
Investment property	10,726,439,865	12,523,353,904
Allowance for market decline	(366,096,795)	(610,022,122)
Net	**10,360,343,070**	**11,913,331,782**

	TCTs	Book Value
Investment property, 31 December 2019, before adjustments	22,995	12,517,860,840
Add/(deduct):		
Effect of restatement of prior period adjustments:		
Capitalization of foreclosure expenses	0	7,259,764
Redemption of acquired assets	(2)	(1,136,700)
Prior year's sale	(6)	(630,000)
	(8)	5,493,064
Investment property, 31 December 2019, as restated	**22,987**	**12,523,353,904**

Movement of investment property for the year 2020:

	TCTs	Book Value
Balance, 01 January 2020	22,987	12,523,353,904
Additions:		
Foreclosure	68	36,153,068
Dacion en pago	6	2,866,687
Reverted from acquired assets	160	21,587,514
Net reclassification/adjustments	6	6,741,955
	240	67,349,224
Deductions:		
Transferred to acquired assets	4,706	1,863,871,263
Sale/negotiation	1	392,000
	4,707	1,864,263,263
Balance, 31 December 2020	**18,520**	**10,726,439,865**

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

	Land and building	Property improvement	Computer hardware	Plant and equipment	In-transit Items	In progress/ under construction items	Total
Cost							
01 January 2020	14,712,409,422	6,536,899,574	1,614,471,887	10,545,397,813	5,153,693,579	1,761,745,976	40,324,618,251
Additions	299,122,352	294,166,567	125,192,224	5,107,293,128	333,260,660	177,086,972	6,336,121,903
Disposals	0	(1,343,337)	(5,953,382)	(9,419,644)	0	0	(16,716,363)
Reclassification	0	(784,500)	(103,782,026)	(34,951,139)	(4,858,967,955)	(109,485,231)	(5,107,970,851)
Adjustments	0	0	18,056	0	0	0	18,056
31 December 2020	**15,011,531,774**	**6,828,938,304**	**1,629,946,759**	**15,608,320,158**	**627,986,284**	**1,829,347,717**	**41,536,070,996**
Accumulated depreciation							
01 January 2020	(3,877,373,607)	(4,455,121,298)	(1,017,913,815)	(6,565,451,709)	0	0	(15,915,860,429)
Depreciation	(244,737,008)	(264,603,598)	(162,305,821)	(1,840,833,963)	0	0	(2,512,480,390)
Disposals	0	856,378	3,715,359	4,201,183	0	0	8,772,920
Reclassification	0	2,592	14,257,754	(26,434,124)	0	0	(12,173,778)
Adjustments	0	(4,393,416)	2,486,243	32,696,328	0	0	30,789,155
31 December 2020	(4,122,110,615)	(4,723,259,342)	(1,159,760,280)	(8,395,822,285)	0	0	(18,400,952,522)
Net book value, 31 December 2020	**10,889,421,159**	**2,105,678,962**	**470,186,479**	**7,212,497,873**	**627,986,284**	**1,829,347,717**	**23,135,118,474**
Net book value, 31 December 2019, as restated	**10,835,035,815**	**2,081,778,276**	**596,558,072**	**3,979,946,104**	**5,153,693,579**	**1,761,745,976**	**24,408,757,822**

The BPFFE costs and accumulated depreciation balances as at 31 December 2019 are restated, as follows:

	Land and Building	Property Improvement	Computer hardware	Plant and equipment	In-transit items	In progress/ under construction items	Total
Cost							
31 December 2019, before adjustments	**14,690,569,422**	**6,543,802,876**	**1,613,416,718**	**10,339,169,326**	**5,340,131,970**	**1,770,681,853**	**40,297,772,165**
Add/(deduct):							
Effect of restatement of prior period adjustments:							
Reclassification to/from BPFFE, other assets & expense account	0	(5,378,302)	2,306,453	213,978,825	(186,438,391)	(8,935,877)	15,532,708
Non/(de)-recognition of properties acquired, disposed/donated	21,840,000	(1,525,000)	(1,251,284)	(7,750,338)	0	0	11,313,378
	21,840,000	(6,903,302)	1,055,169	206,228,487	(186,438,391)	(8,935,877)	26,846,086
31 December 2019, as restated	**14,712,409,422**	**6,536,899,574**	**1,614,471,887**	**10,545,397,813**	**5,153,693,579**	**1,761,745,976**	**40,324,618,251**
Accumulated depreciation							
31 December 2019, before adjustments	**(3,877,373,607)**	**(4,465,503,085)**	**(1,017,366,062)**	**(6,536,283,065)**	**0**	**0**	**(15,896,525,819)**
(Add)/deduct:							
Effect of restatement of prior period adjustments:							
Reclassification to/from BPFFE, other assets &	0	9,041,011	(1,650,502)	(36,588,543)	0	0	(29,198,034)
Non/(de)-recognition of properties acquired, disposed/donated	0	1,340,776	1,102,749	7,419,899	0	0	9,863,424
	0	10,381,787	(547,753)	(29,168,644)	0	0	(19,334,610)
31 December 2019, as restated	**(3,877,373,607)**	**(4,455,121,298)**	**(1,017,913,815)**	**(6,565,451,709)**	0	**0**	**(15,915,860,429)**
Net book value, 31 December 2019, as restated	**10,835,035,815**	**2,081,778,276**	**596,558,072**	**3,979,946,104**	**5,153,693,579**	**1,761,745,976**	**24,408,757,822**

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.

In 2019, the MB approved the termination of the 2015 MOA based on the recent developments and reasonable justifications, with the concurrence of the NHA and CGI. 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 coordinated with the NG thru the DOF on how to settle the issue.

21. INTANGIBLES

	CSAS	CSAS in process	Total
Cost			
01 January 2020, as restated	2,675,143,185	125,787,119	2,800,930,304
Additions	112,340,886	2,180,740	114,521,626
Disposals/Retirement	(71,414,953)	(29,547,000)	(100,961,953)
Reclassification	(25,093,515)	22,013,515	(3,080,000)
31 December 2020	**2,690,975,603**	**120,434,374**	**2,811,409,977**
Accumulated amortization			
01 January 2020, as restated	(2,541,380,102)	0	(2,541,380,102)
Amortization - CY 2020	(71,227,202)	0	(71,227,202)
Disposals/Retirement	71,414,953	0	71,414,953
Reclassifications	39,037	0	39,037
Adjustments	(8,970,882)	0	(8,970,882)
31 December 2020	**(2,550,124,196)**	**0**	**(2,550,124,196)**
Net book value, 31 December 2020	**140,851,407**	**120,434,374**	**261,285,781**
Net book value, 31 December 2019, as restated	**133,763,083**	**125,787,119**	**259,550,202**

The CSAS, CSAS in process and related accumulated amortization balances as of 31 December 2019 are restated as shown below:

	CSAS	CSAS in process
Cost		
31 December 2019, before adjustments	2,664,619,405	134,513,298
Add:		
Reclass from CSAS In-Process to CSAS, completed on 8/17/18- BSP 2016 LAN Enhancement Project	8,726,179	(8,726,179)
Purchase of Minimum 800 subscription-based licenses of Network Vulnerability Management Tool	1,797,601	0
31 December 2019, as restated	**2,675,143,185**	125,**787,119**
Accumulated amortization		
31 December 2019, before adjustments	(2,538,905,929)	0
Add:		
Amortization of CSAS project completed in 2018	(2,474,173)	0
31 December 2019, as restated	**(2,541,380,102)**	**0**

22. INVENTORIES

	Note	2020	2019
SPC inventories	a	12,497,354,515	6,704,634,599
Gold for refining	b	5,242,082,151	2,533,694,084
Currency inventory	d	1,675,690,523	1,212,428,874
Work-in-process	c	867,182,315	1,837,377,329
Gold for domestic sale		34,424,532	34,424,532
Silver for refining	b	2,823,928	1,390,257
Silver for domestic sale		388,052	388,052
Gold and silver for refining recovery	e	10,084,628	0
Total		**20,330,030,644**	**12,324,337,727**

a. The increase in plant inventories is attributable to the BSP-produced inventories and purchases of outsourced currency and plant consumables.

b. Gold and Silver for Refining increased resulting from gold deliveries or purchases.

c. Work-In-Process Inventory decreased due to gold transferred to Bullion Vault account.

d. The COVID-19 pandemic has dampened demand for low-denominated currencies and restricted mobility, resulting in logistical problems in banks' withdrawals of currencies, thus increasing inventory levels. The growing adoption of digital transactions, particularly due to COVID-19 pandemic, contributed to the decreased demand for cash.

e. Gold and Silver for Refining Recovery accounts for the outward shipment of residue materials to Phil-Japan Metals & Refined Products Co., Inc.

23. MISCELLANEOUS ASSETS

	Note	2020	2019 (as restated)
Other supplies		647,563,623	510,992,859
Stocks and other securities	a	455,602,697	275,602,697
Prepaid expenses	b	181,441,871	350,535,063
Paintings and sculptures		136,494,041	136,500,125
Deposits - utilities and services	c	53,561,164	53,537,406
Assets for disposal		49,484,429	63,438,487
Numismatic collections on hand		21,799,523	21,800,403
Miscellaneous assets		14,257,903	13,145,841
Semi-expendable property		9,230,889	13,420,496
Input tax		5,369,524	11,694,863
Creditable tax certificates	d	4,835,087	4,835,087
Withholding tax at source	e	3,271,708	28,014,266
Due from PICC	f	2,646,556	335,727
Items for exhibit		862,381	870,622
Commemorative notes and coins		793,950	311,427
Land under usufruct	g	82,275	82,275
Checks and other cash items		28,770	1,225,520

	Note	2020	2019 (as restated)
Demonetized commemorative coins		54	54
Phil-Pass - Treasury		0	(5,511,697)
Total		**1,587,326,445**	**1,480,831,521**

	Balance, 31 December 2019 before adjustments	Adjustments	Balance, 31 December 2019, as restated
Other supplies	510,844,491	148,368	510,992,859
- Utilization of supplies & materials in-stock, computer supplies and medical-dental supplies in-stock		148,368	
Prepaid expenses	351,592,194	(1,057,131)	350,535,063
- Adjustment on prepayments relative to telecommunication services, periodicals and news services		(1,057,131)	
Asset for disposal	65,197,858	(1,759,371)	63,438,487
- Derecognition of PPE sold/donated		(1,391,806)	
- Reclassification to computer hardware and furniture & equipment		(367,565)	
Semi-expendable property	13,587,111	(166,615)	13,420,496
- Reclass & transfer assets booked under OPEX to CAPEX		1,538,000	
- Close semi-expendable property to expense account		(1,233,715)	
- Change in capitalization threshold for PPE per COA Circular		(470,900)	
Withholding tax at source	28,016,966	(2,700)	28,014,266
- Overapplication of rental collection		(2,700)	
Miscellaneous assets	13,304,877	(159,036)	13,145,841
- Reversal of miscellaneous assets-capitalizable foreclosure expenses to correct account balance.		(159,036)	
Items for exhibit	880,681	(10,059)	870,622
- Derecognition of asset sold		(10,059)	

a. Stocks and other securities composed of the following:

Particulars	Amount
PICCI investments	455,000,000
Proprietary membership share	601,000
Telephone companies stocks	1,697
Total	**455,602,697**

a.1 The PICCI investments rose by sixty-five per cent (65%) representing additional placement of PHP200.000 million Treasury bonds in Land Bank of the Philippines (BTr - Tranche 23 and 24 booked in January 2020 and August 2020 respectively), net of the matured PHP20.000 million investments in South Luzon Tollway Corporation.

b. The account includes taxes withheld from purchases of short-term government securities which are later recognized as expense upon maturity. The decline of PHP170.15 million or forty-eight per cent (48%) was attributed to the decrease in taxes withheld from purchases of government Securities-Treasury bills and subscription to foreign periodicals/news services.

c. The slight increase was brought by the additional power bill deposits with Manila Electric Company (MERALCO) and telephone lines of the PICCI.

d. This 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 Mint and Refinery Operations Department (MROD) from the suppliers of blister packaging, wooden medal boxes, and clear plastic capsules for Papal coins.

e. Taxes withheld were largely from rental/owned properties, leased/acquired assets and local fees. The significant decrease of PHP24.74 million or eighty-eight per cent (88%) was principally due to zero supervisory fees and no interest income earned on loans and advances.

f. This 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 PP No. 473 dated 30 September 1994. The subject property is where the BSP Dagupan Branch building is presently located.

24. SHORT-TERM FOREIGN CURRENCY DEPOSITS

	Note	2020	2019
National Government	a	279,123,353,366	129,655,674,729
Other entities	b	4,563,700,704	1,119,448,485
		283,687,054,070	130,775,123,214
Accrued interest		20,808,661	157,868,957
Total		**283,707,862,731**	**130,932,992,171**

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:

	2020	2019
National Government		
TOP-Time Deposits	112,225,077,000	52,859,536,882
TOP-Special Accounts	166,898,276,366	76,796,137,847
Total	**279,123,353,366**	**129,655,674,729**

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

	2020	2019
Financial Institution		
Bank of America S.A. Manila - Regular	0	203,208,000
Bank of America S.A. Manila - Time Deposit	4,561,995,000	914,436,000
Other Entities		
North Luzon Railways	1,691,551	1,789,512

	2020	2019
Metropolitan Waterworks and Sewerage System (MWSS)	14,153	14,973
Total	**4,563,700,704**	**1,119,448,485**

25. BONDS PAYABLE

	Note	2020	2019
Bonds due 2027	a	19,208,400,000	20,320,800,000
Bonds due 2097		4,802,100,000	5,080,200,000
		24,010,500,000	25,401,000,000
Discount on bonds		(82,053,459)	(87,770,204)
		23,928,446,541	25,313,229,796
Accrued interest		86,037,623	97,088,267
Total		**24,014,484,164**	**25,410,318,063**

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.

26. ALLOCATION OF SPECIAL DRAWING RIGHTS

	2020	2019
Allocation of SDRs	57,956,324,821	58,867,463,941
Accrued interest	10,044,158	76,530,927
Total	**57,966,368,979**	**58,943,994,868**

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.

27. OTHER LIABILITIES

	Note	2020	2019 (as restated)
Foreign currency financial liabilities			
Accounts payable		1,707,633,770	1,672,464,911
Accrued expenses		301,281,375	233,969,042
Other financial liabilities		7,377,389,867	3,539,917,476
Total		**9,386,305,012**	**5,446,351,429**
Local currency non-financial liabilities			
Retirement benefits obligation		3,132,816,522	2,906,150,257
Dividends payable	a	449,345,216	17,931,438,286
Deferred tax liability		8,329,625	9,082,709
Miscellaneous liabilities		31,506,534,575	6,937,186,931
Accounts Payable		3,162,676,186	2,933,282,410
Taxes payable		1,785,407,210	1,591,912,521
Accrued expenses		82,568,773	85,577,689

	Note	2020	2019 (as restated)
Other local currency liabilities	b	26,475,882,406	2,326,414,311
Total		**35,097,025,938**	**27,783,858,183**

	Balance, 31 December 2019 before adjustments	Adjustments	Balance, 31 December 2019 as restated
Foreign currency financial liabilities			
Accounts payable	1,671,264,133	1,200,778	1,672,464,911
- Underpayment of Subscription expenses		875,981	
- Unrecorded expenses incurred in 2019		324,797	
Accrued expenses	258,856,339	(24,887,297)	233,969,042
- Unpaid expenses incurred in 2019 (Non-accrual)		1,481,925	
- Over-accrual of custodian and management fees		(26,369,222)	
Local currency non-financial liabilities			
Miscellaneous liabilities			
Accounts payable	2,697,072,938	236,209,472	2,933,282,410
- Adjustment of prior year's expenses (personal, travel and other services)		289,087,924	
- Refund of previously paid lost property and liquidation of prior year's cash advance		450,609	
- Reapplication/adjustment of loan payment		58,679	
- Collection of prior year's income on sale, redemption of acquired assets and leased properties		(53,128,208)	
- Over-accrual of janitorial services, repairs and maintenance, special supplies, external professional services and overtime claims		(259,532)	
Taxes payable	1,566,468,427	25,444,094	1,591,912,521
- Adjustment of prior year's expenses (personal, travel and other services)		25,398,214	
- Underpayment of expenses		45,880	
Other local currency liabilities	2,314,472,836	11,941,475	2,326,414,311
Deferred income			
- Adjustment of rental payment		(2,279)	
Unrealized profit on assets sold			
- Booking of prior year's sale of acquired assets		12,724,002	
- Collection of prior year's income on sale of acquired assets		(272,955)	
Reserve Fund for Cash Handling Incentive Award			
- Closure of over set-up on reserve for cash handling incentive award		(62,302)	
Deposit from leased properties			
- Adjustment of Rental Payments		(444,991)	

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 decreased by PHP17.482 billion representing payment of cash dividends for CY 2018 payable to the NG.

b. The increment of PHP24.149 billion is mainly due to the Deferred Income Taxes (DIT) from purchases of government securities at a premium.

28. DEPOSITS

	Note	2020	2019
Government deposits			
Short-term	a	518,844,932,522	30,524,514,211
Accrued interest		3,012,239,466	1,961,682,163
Total		**521,857,171,988**	**32,486,196,374**

	Note	2020	2019
Demand Deposits			
Banks/NBQBs-reserve deposits	b	1,331,378,159,229	1,550,907,153,880
Secured settlement account		31,535,501,521	8,088,557,038
Fixed term deposit		0	4,200,000,000
Others		30,549,780,776	27,476,764,096
		1,393,463,441,526	1,590,672,475,014
Accrued interest		0	4,379,961
Total		**1,393,463,441,526**	**1,590,676,854,975**
IMF and other financial institutions	c		
Due to IMF		96,817,305,037	107,590,164,094
International financial institutions		159,613,732	125,054,298
Due to other foreign banks		2,391,323	2,391,323
Total		**96,979,310,092**	**107,717,609,715**

a. Government deposits

Short-term deposits include NG's peso regular and special deposit accounts (except Special Account No. 2). 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 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 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, the deposits maintained by banks/NBQBs with the BSP in compliance with the reserve requirements are no longer paid interest as per MBR No. 1924 dated 27 December 2011 and BSP Circular No. 753 dated 29 March 2012.

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 SDR1.396 billion as of 31 December 2020.

The balance of IMF's security holdings (SDR95.274 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 2020, the Peso appreciated by PHP3.081 against the SDR, from the peso/SDR exchange rate of PHP72.206/SDR as at 30 April 2019 to PHP69.125/SDR as at 30 April 2020. The peso appreciation resulted in a revaluation gain of PHP1.092 billion. The revaluation is solely attributable to the NG since the BSP had fully paid its credit availments from Standby Credit Facility (SCF) and Extended Fund Facility (EFF) since December 2006. The BSP booked the revaluation gain as reduction to its receivable from NG under the "Accounts Receivable-TOP" account.

As of 31 December 2020, the IMF Summary Statement of Position shows that the total IMF currency holdings aggregated to PHP103.416 billion consisting of the balances of "Account Nos. 1 and 2 of PHP96.675 billion, security holdings of PHP6.599 billion and accrued revaluation loss of PHP0.142 billion (covering the period May 2020 to December 2020). This valuation adjustment was booked as of 31 December 2020.

29. BILLS PAYABLE

The BSP bills refer to the BSP securities with maturity of one year or less.

	2020	2019
BSP Securities	220,000,000,000	0
Discount on Bills Payable - Domestic	(130,235,637)	0
Total	**219,869,764,363**	**0**

30. CURRENCY IN CIRCULATION

	2020	2019 (as restated)
Currency notes issued	2,338,361,540,920	1,885,999,958,340
Cash on hand - notes	(347,662,342,390)	(252,083,032,510)
Net notes in circulation	**1,990,699,198,530**	**1,633,916,925,830**
Currency coins issued	51,491,688,099	45,758,345,933
Cash on hand - coins	(3,339,834,996)	(626,695,360)
Net coins in circulation	**48,151,853,103**	**45,131,650,573**
Currency in circulation, 31 December	**2,038,851,051,633**	**1,679,048,576,403**

	Currency notes issued	Currency coins issued
Currency issued		
Balances, 31 December 2019, before adjustments	1,886,005,331,290	45,758,411,363
Deduct:		
- Altered genuine currency	(5,071,000)	
- Mutilated currency	(301,950)	(65,430)
Balances, 31 December 2019, as restated	**1,885,999,958,340**	**45,758,345,933**

Inventory of Currency Issued

	January 1 2020	Requisitions from CID	Retirement	December 31 2020
Currency issued				
Notes	1,886,005,331,290	1,209,852,555,450	(757,496,345,820)	2,338,361,540,920
Coins	45,758,411,363	5,742,484,434	(9,207,698)	51,491,688,099
	1,931,763,742,653	**1,215,595,039,884**	**(757,505,553,518)**	**2,389,853,229,019**
Cash on hand				
Notes				347,662,342,390
Coins				3,339,834,996
Total Held in MMCOSS and ROSS				351,002,177,386
Total currency in circulation				**2,038,851,051,633**

Details of currency in circulation are as follows:

	Denomination	Quantity (No. of Pcs) 2020	Quantity (No. of Pcs) 2019 (as restated)	Amount 2020	Amount 2019 (as restated)
Notes	1,000	1,532,650,102	1,224,517,917	1,532,650,102,000	1,224,517,917,000
	500	594,996,611	544,666,266	297,498,305,500	272,333,133,000
	200	28,496,457	27,789,990	5,699,291,400	5,557,998,000
	100	945,349,437	806,188,279	94,534,943,700	80,618,827,900
	50	682,310,515	474,145,889	34,115,525,750	23,707,294,450
	20	1,310,051,509	1,359,087,774	26,201,030,180	27,181,755,480
				1,990,699,198,530	1,633,916,925,830
Coins	20-Piso	29,358,744	185,119	587,174,880	3,702,380
	10-Piso	1,250,868,340	1,188,614,564	12,508,683,400	11,886,145,640
	5-Piso	3,934,581,566	3,680,368,862	19,672,907,830	18,401,844,310
	1-Piso	11,795,928,982	11,370,610,578	11,795,928,982	11,370,610,578
	25-Sentimo	11,250,579,759	10,811,244,229	2,812,644,940	2,702,811,056
	10-Sentimo	3,792,028,817	3,792,001,770	379,202,882	379,200,177
	5-Sentimo	3,404,677,480	3,295,295,592	170,233,874	164,764,780

Denomination	Quantity (No. of Pcs) 2020	Quantity (No. of Pcs) 2019 (as restated)	Amount 2020	Amount 2019 (as restated)
1-Sentimo	73,395,946	70,458,977	733,959	704,590
			47,927,510,747	44,909,783,511
Commemorative coins	938,349	924,454	224,342,356	221,867,062
			48,151,853,103	45,131,650,573
Total currency in circulation, 31 December			**2,038,851,051,633**	**1,679,048,576,403**

The details of currency in circulation as at 31 December 2019 are restated as follows:

	Denomination	Quantity (No. of Pcs) 2019 (before restatement)	Quantity Adjustment	Quantity 2019 (as restated)	Amount 2019 (before restatement)	Amount Adjustment	Amount 2019 (as restated)
Notes	1,000	1,224,518,145	(228)	1,224,517,917	1,224,518,145,000	(228,000)	1,224,517,917,000
	500	544,666,368	(102)	544,666,266	272,333,184,000	(51,000)	272,333,133,000
	200	27,789,995	(5)	27,789,990	5,557,999,000	(1,000)	5,557,998,000
	100	806,239,098	(50,819)	806,188,279	80,623,909,800	(5,081,900)	80,618,827,900
	50	474,146,030	(141)	474,145,889	23,707,301,500	(7,050)	23,707,294,450
	20	1,359,087,974	(200)	1,359,087,774	27,181,759,480	(4,000)	27,181,755,480
					1,633,922,298,780	(5,372,950)	1,633,916,925,830
Coins	20-Piso	185,119	0	185,119	3,702,380	0	3,702,380
	10-Piso	1,188,621,035	(6,471)	1,188,614,564	11,886,210,350	(64,710)	11,886,145,640
	5-Piso	3,680,368,895	(33)	3,680,368,862	18,401,844,475	(165)	18,401,844,310
	1-Piso	11,370,611,013	(435)	11,370,610,578	11,370,611,013	(435)	11,370,610,578
	25-Sentimo	10,811,244,703	(474)	10,811,244,229	2,702,811,175	(119)	2,702,811,056
	10-Sentimo	3,792,001,778	(8)	3,792,001,770	379,200,178	(1)	379,200,177
	5-Sentimo	3,295,295,596	(4)	3,295,295,592	164,764,780	0	164,764,780
	1-Sentimo	70,458,968	9	70,458,977	704,590	0	704,590
					44,909,848,941	(65,430)	44,909,783,511
Commemorative coins		924,454	0	924,454	221,867,062	0	221,867,062
					45,131,716,003	(5,438,380)	45,131,650,573
Total currency in circulation, 31 December, as restated					**1,679,054,014,783**	**(5,438,380)**	1,679,048,576,403

31. REVALUATION OF FOREIGN CURRENCY ACCOUNTS

	2020	2019
Unrealized gains on FX rate fluctuations		
Beginning balance, January 1	362,472,104,398	520,294,359,655
Add/(deduct):		
Unrealized gains/(losses) for the year (net of realized transactions)	(206,470,896,649)	(157,822,255,257)
Ending balance, December 31	156,001,207,749	362,472,104,398
Unrealized gains on price fluctuations		
Beginning balance, January 1	63,463,267,612	14,682,028,401
Add/(deduct):		
Unrealized gains/(losses) for the year (net of realized transactions)	259,062,000,576	49,008,458,358
Impairment loss	(102,239,011)	(227,219,147)
Ending balance, December 31	322,423,029,177	63,463,267,612
Unrealized gains on FX rate and price fluctuations, December 31	**478,424,236,926**	**425,935,372,010**

32. CAPITAL ACCOUNTS

	Note	2020	2019 (as restated)
Capital	a	50,000,000,000	50,000,000,000
Surplus/(deficit)	b	23,774,859,598	15,139,738,052
Unrealized gains/(losses) on investments in			
Government securities		14,270,582,708	378,675,538
Stocks and other securities		(7,803)	(7,803)
	c	14,270,574,905	378,667,735
Capital Reserves	d	83,006,117,471	79,574,252,128
Managed Funds			
Fidelity insurance fund		22,247,379,248	22,247,379,248
BSP Properties self-insurance fund		2,883,450,265	2,787,837,516
Currency insurance fund		6,000,000,000	2,800,295,565
Retirement benefit fund		1,829,110,202	1,753,701,091
Directors'/officers' liability		1,777,954,077	1,708,084,708
		34,737,893,792	31,297,298,128
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		390,741,639	399,471,959
Cultural properties acquisition fund		40,689,229	40,689,230
Gold insurance fund		9,333,617	9,333,617
		48,268,223,679	48,276,954,000
Total		**171,051,551,974**	**145,092,657,915**

a. Pursuant to Section 2 of RA No.7653, as amended by RA No. 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 No. 7653 prior to the amendment of its Charter under RA No. 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 CY 2019 is restated as follows:

Surplus/(deficit), 1 January 2019, before adjustments	(9,219,868,854)
Deduct:	
Restatement of net adjustments on income and expenses prior to CY 2019	(37,094,573)
Surplus/(deficit), 1 January 2019, as restated	(9,256,963,427)
Add:	
Transactions for CY 2019	(21,416,314,315)
Surplus/(deficit), 31 December 2019, before net income	(30,673,277,742)

Net income for the period, before adjustments	46,238,939,469
Deduct:	
Restatement of net adjustments on income and expenses for CY 2019	(425,923,675)
Net income for the period, as restated	45,813,015,794
Surplus/(deficit), 31 December 2019, as restated	**15,139,738,052**

The details of restated prior period adjustments on income and expenses and transactions for CY 2019 are presented in the Statement of Changes in Equity.

c. The amount represents unrealized gains/(losses) resulting from the marking-to-market of investments in domestic government securities classified as amortized cost.

Movement of unrealized gains/(losses) on investments is summarized as follows:

	2020	2019
Beginning balance	378,667,735	(1,807,783,041)
Effect of marking to market of investments in government securities, stocks and other securities	13,891,907,170	2,186,450,776
Ending balance	**14,270,574,905**	**378,667,735**

d. The BSP booked the income earned on invested managed funds for the year 2020 in the amount of PHP251.630 million.

33. INTEREST INCOME AND INTEREST EXPENSES

	2020	2019 (as restated)
Interest income from financial assets		
Interest income from foreign currency financial assets		
Foreign investment	52,282,711,252	57,350,702,162
Other foreign currency receivables	4,801,639,580	3,723,054,676
Deposits with foreign banks	2,575,009,717	20,706,483,992
IMF SDR	122,019,584	619,705,048
Gold Deposits	24,417,396	17,351,897
Due from/(to) broker	38,829	1,062,281
	59,805,836,358	82,418,360,056
Interest income from local currency financial assets		
Government securities	23,277,150,581	11,395,973,125
Loans and advances	1,920,518,572	4,480,742,443
Overnight lending account	182,810,445	1,739,064,576
Other receivables	243,414,063	384,212,169
	25,623,893,661	17,999,992,313
Total	**85,429,730,019**	**100,418,352,369**

	Balance, 31 December 2019 before adjustments	Adjustments	Balance, 31 December 2019, as restated
Interest income from local financial assets			
Loans and advances	**4,480,749,315**	**(6,872)**	**4,480,742,443**
- Reapplication/adjustment of loan payments		(6,872)	
Other receivables	**381,306,018**	**2,906,151**	**384,212,169**
- Adjustment on sale/application of payment of acquired assets		2,906,151	

	2020	2019
Interest expense from financial liabilities		
Interest expense on foreign currency financial liabilities		
Bonds payable	2,655,705,120	2,755,789,695
Short term deposits	285,062,656	3,050,752,883
Allocation of IMF SDR	117,177,159	591,442,236
	3,057,944,935	6,397,984,814
Interest expense on local currency financial liabilities		
Deposits of banks and other financial institutions	23,410,968,734	9,099,613,381
Government deposits	12,754,715,234	16,932,248,118
Securities sold under agreements to repurchase	7,211,775,588	12,258,335,824
	43,377,459,556	38,290,197,323
Total	**46,435,404,491**	**44,688,182,137**

34. OTHER INCOME

	Note	2020	2019 (as restated)
Printing, minting and refinery		145,250,944	304,643,415
Fees – local			
Banking supervision/clearing/license fees		6,302,151,416	5,676,469,200
Penalties and late charges		80,698,744	690,149,231
Processing and filing fees		50,012,890	68,487,100
Transaction fee – PhilPaSS		49,494,969	184,299,173
Others		145,493,615	170,927,457
		6,627,851,634	6,790,332,161
Other income			
Income on acquired assets		443,900,696	1,622,981,960
Rental on building and facilities		191,274,084	532,230,438
Rental on acquired assets		2,993,817	6,209,256
Other miscellaneous income	a	263,350,913	591,334,896
		901,519,510	2,752,756,550
Other operating income		**7,674,622,088**	**9,847,732,126**

a. Other miscellaneous income decreased mainly due to significant dropped in the PICCI income.

	2020	2019
Gain/(loss) on FX rates fluctuation		
Gain on FX rates fluctuation	11,709,548,766	18,205,545,535
Loss on FX rates fluctuation	(17,488,479,522)	(3,480,228,231)
Net	**(5,778,930,756)**	**14,725,**317**,304**

	Balance, 31 December 2019 before adjustments	Adjustments	Balance, 31 December 2019, as restated
Fees - Local			
Banking supervision/clearing/license fees	**5,676,474,200**	**(5,000)**	**5,676,469,200**
- Adjustment of prior year's fees		(5,000)	
Penalties and late charges	**688,261,928**	**1,887,303**	**690,149,231**
- Various reapplication/adjustment of payments (i.e. loan, rental, acquired asset, penalties, supervisory fees and others)		953,734	
- Collection of prior year's income from penalties (i.e. late deliveries, reporting, payments and others)		933,569	
Other Income			
Income on acquired assets	**1,591,684,460**	**31,297,500**	**1,622,981,960**
- Collection of prior year's sale and redemption of acquired asset		30,570,196	
- Various reapplication/adjustment of payments (i.e. loan, rental, acquired asset, penalties, supervisory fees and others)		726,846	
- Buyer's share in property expenses		458	
Rental on acquired assets	**4,936,817**	**1,272,439**	**6,209,256**
- Adjustment on application of rental payments		1,272,439	
Other miscellaneous income	**587,473,844**	**3,861,052**	**591,334,896**
- Collection of prior year's income (i.e. sale of acquired asset, property self-insurance, vault rental and other charges)		1,581,438	
- Under/(over) recording of income from altered genuine and mutilated BSP notes and coins		1,417,453	
- Disposal of various properties		790,059	
- Various reapplication/adjustment of payments (i.e. loan, rental, acquired asset, performance security, disallowances and others)		72,102	

35. IMPAIRMENT ON FINANCIAL ACCOUNTS

	2020	2019 (as restated)
Impairment on foreign currency financial accounts		
Foreign investment	1,425,181	9,912,439
Due from foreign banks	1,117,283	13,623,297
FS purchased under agreement to resell	13,667	506,939
	2,556,131	**24,042,675**
Impairment on local currency financial accounts		
Accounts Receivable	36,808,293	12,733,393
Loans and advances	3,832,903	13,510,132
Lease receivable	242,698	20,696,096
Notes receivable	0	804,494,692
Overnight lending facilities	0	335,012
	40,883,894	**851,769,325**
Total	**43,440,025**	**875,812,000**

	Impairment on Accounts Receivable
As of 31 December 2019, before adjustments	13,060,194
Deduct:	
Adjustment of prior year's booking	326,801
As of 31 December 2019, as restated	**12,733,393**

36. CURRENCY PRINTING AND MINTING COST

	2020	2019
Notes	8,467,148,330	6,267,603,841
Coins	3,142,287,182	6,205,147,497
Total	**11,609,435,512**	**12,472,751,338**

37. OPERATING EXPENSES

	2020	2019 (as restated)
Personnel services, development and training	15,252,587,239	15,127,904,291
Administrative expenses	6,103,383,129	9,982,565,836
Depreciation/amortization	1,026,450,222	1,003,455,287
Recovery due to/from market decline	(5,317,008)	(15,397,545)
Total	**22,377,**103**,582**	**26,098,527,869**

a. PERSONNEL SERVICES

	2020	2019 (as restated)
Salaries and wages	11,497,696,542	11,508,378,648
Defined contribution plans	2,470,215,620	2,314,490,044
Social security contribution	547,699,499	525,889,091
Post-retirement benefits	341,372,398	218,178,000
Sickness and death benefits	307,117,021	365,725,572
Personnel development and training	86,727,242	190,553,738
Medical and dental benefits	1,758,917	4,689,198
Total	**15,252,587,239**	**15,127,904,291**

The following personnel services account balances for the year ended 31 December 2019 are restated as follows:

	Balance, 31 December 2019 before adjustments	Adjustments	Balance, 31 December 2019, as restated
Salaries and wages	11,508,913,692	(535,044)	11,508,378,648
Defined contribution plans	2,316,433,794	(1,943,750)	2,314,490,044
Social security contribution	526,038,389	(149,298)	525,889,091
Sickness and death benefits	348,044,113	17,681,459	365,725,572
Personnel development and training	164,042,357	26,511,381	190,553,738
Medical and dental benefits	4,688,789	409	4,689,198
Total	**14,868,161,134**	**41,565,157**	**14,909,726,291**

b. ADMINISTRATIVE EXPENSES

	2020	2019 (as restated)
Repairs and maintenance	693,405,058	645,732,696
Currency and gold operations expenses	3,719,042,076	310,970,486
Communication services	310,749,952	326,422,992
Water, illumination and power services	243,319,644	350,249,699
Consultants and specialist services	115,903,332	194,949,789
Acquired assets expenses	115,453,244	408,063,018
Taxes and licenses	84,717,285	6,168,714,054
Traveling expenses	79,650,314	456,636,115
Fidelity and property insurance	73,398,162	78,662,196
Auditing services	58,864,745	65,612,674
Supplies and materials	45,582,115	58,196,038
Grants, subsidies and contributions	27,437,956	37,291,404
Rentals	22,178,418	28,420,119
Conference, workshop and convention expenses	16,417,711	73,070,391
Discretionary expenses	3,444,362	5,228,473
Ammunitions	236,680	7,266,347
Others	493,582,075	767,079,345
Total	**6,103,383,129**	**9,982,565,836**

The following administrative expense account balances for the year ended 31 December 2019 are restated as follows:

	Balance, 31 December 2019 before adjustments	Adjustments	Balance, 31 December 2019, as restated
Taxes and licenses	6,168,666,194	47,860	6,168,714,054
Repairs and maintenance	548,130,672	97,602,024	645,732,696
Travelling expenses	446,186,250	10,449,865	456,636,115
Acquired asset expenses	375,588,719	32,474,299	408,063,018
Water, illumination and power services	345,122,617	5,127,082	350,249,699
Communication services	307,096,575	19,326,417	326,422,992
Currency and gold operations expenses	273,367,451	37,603,035	310,970,486
Consultants and specialist services	154,291,728	40,658,061	194,949,789
Fidelity and property insurance	78,410,100	252,096	78,662,196
Auditing services	65,333,646	279,028	65,612,674
Conference, workshop and convention expenses	64,559,418	8,510,973	73,070,391
Supplies and materials	57,185,926	1,010,112	58,196,038
Rentals	26,332,867	2,087,252	28,420,119
Grants, subsidies and contributions	25,541,859	11,749,545	37,291,404
Ammunitions	7,266,360	(13)	7,266,347
Discretionary expenses	4,748,491	479,982	5,228,473
Others	751,563,070	15,516,275	767,079,345
	9,699,391,943	**283,173,893**	**9,982,565,836**

b.1 Taxes and licenses account balances for CYs 2020 and 2019 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). Impairments are presented separately in Note 35 in compliance with the guidelines and procedures of PFRS 9.

b.2 The acquired assets expenses consist of the following:

	2020	2019 (as restated)
Security services	49,661,354	91,350,224
Taxes and licenses	38,937,167	270,584,780
External professional services	18,933,115	32,651,575
Association/condominium fees	6,154,749	9,773,883
Fidelity insurance	1,500,782	1,848,196
Repairs and maintenance	200,214	459,558
Legal fees	65,863	680,445
Light, fuel and water	0	714,357
Total	**115,453,244**	**408,063,018**

	Balance, 31 December 2019 before adjustments	Adjustments	Balance, 31 December 2019, as restated
Taxes and Licenses	**270,010,315**	**574,465**	**270,584,780**
- Expenses incurred in 2019 but paid in 2020		2,869,978	
- Capitalization of expenses to investment property		(2,212,781)	
- Buyer's share in property expenses		(82,107)	
- Adjustment on sale/application of payment of acquired asset		(625)	
Security Services	**61,134,630**	**30,215,594**	**91,350,224**
- Expenses incurred in 2019 but paid in 2020		30,215,594	
External Professional Services	**30,464,070**	**2,187,505**	**32,651,575**
- Expenses incurred in 2019 but paid in 2020		2,187,505	
Light, Fuel and Water	**1,217,316**	**(502,959)**	**714,357**
- Adjustment on application of rental payment		(502,959)	
Fidelity Insurance	**1,848,502**	**(306)**	**1,848,196**
- Buyer's share in property expenses		(306)	

b.3 The BSP's outstanding lease contracts as of 31 December 2020 do not contain leases under PFRS 16 considering that the contracts do not convey the right to control the use of identified assets, except for the lease contract with the Rizal Commercial Banking Corporation (RCBC), for the rental of property used by the Gold Buying Station at Baguio City with a term of six (6) months from the last renewal. However, the said contract is classified as a short-term lease that falls within the recognition exemptions of PFRS 16.

Among the existing contracts are the two (2) lease agreements with the Allcard, Inc.:

(1) Supply, delivery, installation and commissioning of one Lot Lease of card production equipment for a period of three (3) years, including provisions of technical and maintenance support personnel, training of BSP/PSA personnel, and supply and delivery of raw materials, consumables, and wear-and-tear spare parts for 116 million pieces PhilID Cards – PHP2,119,320,000.00 VAT inclusive; and

(2) Supply, delivery, installation and commissioning of one Lot Lease of card personalization equipment for a period of four (4) years, including provisions of technical and maintenance support personnel, training of BSP/PSA personnel, and supply and delivery of raw materials, consumables, and wear-and-tear spare parts - PHP495,320,000.00 VAT inclusive.

The abovementioned agreements neither fall within the recognition exemptions nor qualify under the definition of a lease in PFRS 16. The BSP does not have the right to control the use of identified assets considering that the lessor shall provide technical and maintenance support personnel, and shall supply raw materials, consumables and wear-and-tear spare parts., among others.

Foregoing considered, the BSP as a lessee, recognized the total lease payments for CY 2020 as an expense on a straight-line basis.

c. DEPRECIATION/AMORTIZATION

Depreciation of BPFFE and amortization of CSAS for the year ended 31 December 2019 are restated as follows:

	Depreciation	**Amortization**	**Total**
Depreciation/amortization, 31 December 2019, before adjustments	**918,105,225**	**64,770,921**	**982,876,146**
Add:			
Unrecorded depreciation/ amortization	15,904,090	1,371,435	17,275,525
Adjustment of related accounts and reclassification to/(from) BPFFE, other assets and expense	2,804,482	499,134	3,303,616
	18,708,572	**1,870,569**	**20,579,141**
Depreciation/amortization, 31 December 2019, as restated	**936,813,797**	**66,641,490**	**1,003,455,287**

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 No. 7653, as amended by RA No. 11211.

	2020	**2019 (as restated)**
Net income for the year	**31,711,907,590**	**45,813,015,794**

In accordance with PAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, the Net Income for CY 2019 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	2020	2019
Comptrollership – Trust Fund Accounting System	a	28,249,242,811	25,049,988,138
DLC - Accounting	b	2,706,184,694	2,662,221,702
Treasury Department-Domestic	c	1,907,412,441	1,789,402,740
Sectoral Operations Management Department _- Financial Services Sector (formerly Central Administrative Services Group - Closed Banks)	d	136,650,489	140,600,838
Total		**32,999,490,435**	**29,642,213,418**

a. This consists of BSP self-insurance fund established for retirement benefits under RA No. 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	2020	2019
Foreign currency assets			
Foreign investments - readily convertible to cash		2,448,981,141,183	2,070,003,661,282
Deposits with foreign banks		784,145,838,468	457,681,590,017
Other cash balances (foreign currency on hand)		106,326,870	1,518,333,400
Non-IR foreign currency on hand	a	31,706,140	32,054,478
Other FX receivable - due from FX banks - special account		25,507,866	26,949,581
		3,233,290,520,527	2,529,262,588,758
Local currency assets			
Government securities		1,367,495,435,603	226,015,652,315
Other receivables - due from local banks		480,395,455	890,865,743
Other receivables - revolving fund		261,118,160	268,613,563
Miscellaneous assets - checks and other cash Items		(2,591,551)	(1,394,801)
Philpass-Treasury Account		0	(5,511,697)
		1,368,234,357,667	227,168,225,123
Demand liabilities			
Deposit of banks and other financial institutions		(2,924,097,235,381)	(2,196,441,018,490)
Government demand deposits		(487,316,315,047)	(3,195,896,736)
		(3,411,413,550,428)	(2,199,636,915,226)
Cash and cash equivalents, 31 December		**1,190,111,327,766**	**556,793,898,655**

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

	2020	2019 (as restated)
Reported operating surplus	31,711,907,590	45,813,015,794
Operating cash flows from changes in asset and liability balances	137,426,439,264	(327,819,104,615)
Add/(deduct) non-cash items		
Depreciation/amortization	1,026,450,222	1,003,455,287
Provision for probable loss	4,075,601	34,206,228
Recovery from provision for market decline	(5,317,008)	(15,397,545)
Provision for Impairment Loss	(45,070,444)	818,453,001
Income tax expense due to movement of DIT	76,045,146	2,955,103,133
Amortization of discount/premium on bonds payable	5,716,745	3,958,690
	1,061,900,262	4,799,778,794
Add/(deduct) movements in other working capital items:		
Increase/(decrease) in miscellaneous liabilities	505,959,360	(499,674,615)
Increase in interest payable	437,939,990	498,431,805
Increase in interest receivable	(9,556,492,970)	(907,779,707)
(Increase)/decrease in accounts receivable	(296,128,483)	39,622,297
	(8,908,722,103)	(869,400,220)
Add/(deduct) investing and financing activities		
Net realized (gain)/loss on FX rates fluctuation	5,778,930,756	(14,725,317,304)
Net cash used in operating activities	**167,070,455,769**	**(292,801,027,551)**

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:

	2020		2019	
	Amount	Percent	Amount	Percent
Provision for income tax computed at the statutory income tax rate, before adjustments	8,649,256,889		14,720,140,157	
Add:				
Restatements to financial statements computed at statutory rate	92,430,113		(89,704,479)	
Provision for income tax computed at the statutory income tax rate, as restated	8,741,687,002	27.50	14,630,435,678	30.00
Additions to/(reductions in) income tax resulting from the tax effects of:				
Expenses directly attributable to tax-	16,169,092,648	50.87	15,650,940,007	32.09

	2020		2019	
	Amount	Percent	Amount	Percent
exempt income				
Expenses allocated to tax-exempt income	4,927,370,986	15.50	5,092,160,308	10.44
Provision for Reserve Currency Insurance Fund	879,842,998	2.77	0	0
Provision for unused leave credits	106,090,160	0.33	71,312,055	0.15
PICCI income and expenses	33,536,619	0.11	(55,727,926)	(0.11)
Provision for allowance for doubtful accounts	7,772,542	0.02	5,821,399	0.01
Non-deductible national taxes	0	0	1,858,358,967	3.81
Income exempt from income tax	(30,755,627,823)	(96.75)	(34,892,334,720)	(71.55)
Actual leave credits paid	(45,139,656)	(0.14)	(88,112,215)	(0.18)
Prior year reversal of allowance for doubtful accounts	(2,015,802)	(0.01)	(76,985)	0
Written-off accounts	(2,475)	0	0	0
Interest income subject to final tax	0	0	(612,574,338)	(1.26)
Income related to the sale of acquired assets	0	0	(28,294,864)	(0.06)
Provision for loss on market decline	0	0	(14,205,583)	(0.03)
Debits on valuation allowance credited to Miscellaneous Income	0	0	(10,345)	(0.00)
	(8,679,079,803)	(27.30)	(13,012,744,240)	(26.69)
Actual provision for corporate income tax	**62,607,199**	**0.20**	**1,617,691,438**	**3.31**

Under RMC No. 50-2021, the RCIT rate of non-individual taxpayers affected by the passing of RA No. 11354 or also known as the “Corporate Recovery and Tax Incentives for Enterprises Act” (CREATE) shall be at twenty-seven and a half per cent (27.50%) for transition taxable year ending 31 December 2020. Also presented above is the numerical reconciliation between the average effective tax rate, and the applicable tax rate of thirty per cent (30%) for 2019 and 27.50% for 2020. 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 DTA as at 31 December are as follows:

	2020	2019
DTA		
Allowance for doubtful accounts	459,420,762	494,908,905
Unused leave credits	853,587,819	864,695,253
Tax overpayments	10,470,200,337	10,737,728,813
Restatements of tax overpayments	126,908,745	(126,908,745)
PICCI unused tax credit (for consolidation purposes)	76,037,011	12,155,865
Total deferred income tax assets	**11,986,154,674**	**11,982,580,091**

Movement in DTA account is summarized as follows:

	2020	2019
Net balance at the beginning of the year, before adjustments	11,982,580,091	2,655,842,837
Add/(deduct):		
PICCI unused tax credits (for consolidation purposes)	63,881,147	5,423,846
Tax overpayments utilized to pay tax due	(140,619,731)	0

	2020	2019
Restatements of tax overpayments	126,908,745	(126,908,745)
Temporary differences charged to income tax expense	(46,595,578)	(1,289,506,660)
Tax overpayments for the year	0	10,737,728,813
	3,574,583	9,326,737,254
Net balance at the end of the year	**11,986,154,674**	**11,982,580,091**

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:

	2020	2019
Net provision for allowance for doubtful accounts	(31,439,376)	(464,415)
Net provision for unused leave credits	(11,107,435)	(16,800,160)
Net provision for uncollectible rentals	(4,048,767)	6,208,829
Reversal of temporary differences relating to tax-exempt income	0	(1,278,450,914)
Temporary differences charged to income tax expense	**(46,595,578)**	**(1,289,506,660)**

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. For 2019 and 2020, the marked-to-market valuation of domestic securities resulted to a net unrealized gain.

RIR account amounting to PHP478.424 billion is not included as a DTA component pursuant to Section 45 of RA No. 7653, as amended by RA No. 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 PHP shall not be included in the computation of the annual profits and losses of the Bangko Sentral."

42.3 Additional tax information under 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 2020.

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 PHP0.024 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 PHP0.203 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 PHP0.074 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:

	2020	2019
Local taxes		
Real estate tax	78,166,073	162,831,255
Taxes and licenses related to acquired assets	34,379,205	25,343,466
Others (registration fees, licenses, permits)	1,710,105	1,892,610
Total	**114,255,383**	**190,067,331**

	2020	2019
National taxes		
Capital gains tax related to acquired assets	4,557,962	245,241,314
Total	**4,557,962**	**245,241,314**
Compromise settlement of tax assessments		
Income Tax	0	3,621,312,499
FWT	0	882,875,502
Final Withholding of VAT	0	702,248,303
Expanded Withholding Tax	0	570,668,331
VAT	0	222,895,365
Total	**0**	**6,000,000,000**

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

	2020	2019
FWT on income	9,525,719,385	8,833,332,820
Withholding tax on compensation and benefits	2,440,312,846	2,563,150,222
Expanded withholding tax	1,256,626,671	77,966,475
VAT and other percentage tax withheld	1,008,670,302	1,246,355,656
Excise tax collected	71,533,412	28,233,501
Total	**14,302,862,616**	**12,749,038,674**

f. As of 31 December 2020, the applications for compromise for the settlement of the alleged deficiency tax liabilities of the BSP covering taxable years 2016 and 2017 were already settled at 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 and 2019 pursuant to a Letter of Authority issued in July 2019 and in September 2020 respectively.