BANGKO SENTRAL NG PILIPINAS
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2022 AND 2021
(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, and Metropolitan Museum of Manila.

The BSP in Quezon City, Philippines, houses the Security Plant Complex (SPC), Currency Policy and Integrity Department (CPID) and the Greater Manila Regional Office (GMRO). The CPID is under the Payments and Currency Development Sub-Sector (PCDSS) while the GMRO is under the Regional Operations Sub-Sector (ROSS).

The BSP has five (5) Regional Offices (ROs): the GMRO sited in Quezon City; the North Luzon Regional Office in Baguio City; the South Luzon Regional Office in the Head Office; the Visayas Regional Office in Cebu City; and the Mindanao Regional Office in Davao City. There are Regional Branches (RBs) in twenty (20) locations. These offices/branches perform cash operations. Moreover, gold buying operations are performed by Davao and Baguio City ROs and Naga and Zamboanga City 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 2022, the deputy governor heads each of the five (5) existing operating sectors, with the following functions:

a. Monetary and Economics Sector (MES) is in 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 exercises oversight and supervision of financial technology and payment systems.

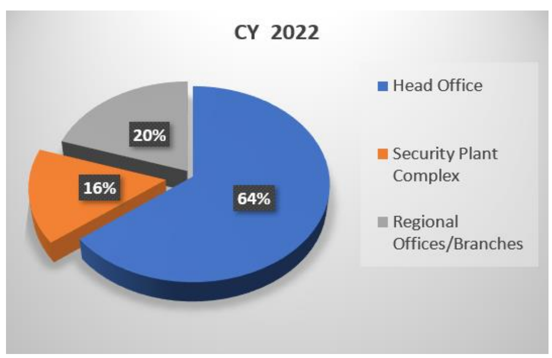
c. Corporate Services Sector (CSS) oversees the effective management of the human, financial, and physical resources to support the BSP's core functions.

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. Regional Operations and Advocacy Sector (ROAS) – manages the activities related to regional operations, consumer empowerment and advocacy, and communications.

As of 31 December 2022, the BSP has a total personnel complement of 5,744 employees consisting of 5,559 regular and 185 contractual, distributed according to location, as follows:

Location	CY 2022	CY 2021	Change
Head Office	3,706	3,717	(11)
Security Plant Complex	895	698	197
Regional Offices/ Branches	1,143	1,160	(17)
Total	**5,744**	**5,575**	**169**



In these financial statements, the BSP is also referred to as the "Bank." The MB has approved the release of the financial statements on 29 June 2023.

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 deviate, 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 statement of profit or loss (or 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) 2022 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. These include 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. These also include 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 2022. 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 PHP100.000 thousand. On 28 December 2020, the MB approved the request of PICCI to increase its authorized capital stock from PHP50.000 million to PHP1.000 billion and authorized the BSP through its Management, to subscribe to 2,500 shares of the increased capitalization of PICCI. On 28 January 2021, the BSP paid the amount of PHP250.000 million for the 2,500 subscribed shares. 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, corporate secretary, 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 percent (5%) of the gross profit, which shall be payable quarterly. For this purpose, gross profit shall mean all revenues (excluding interest income) after deducting the 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 for 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.

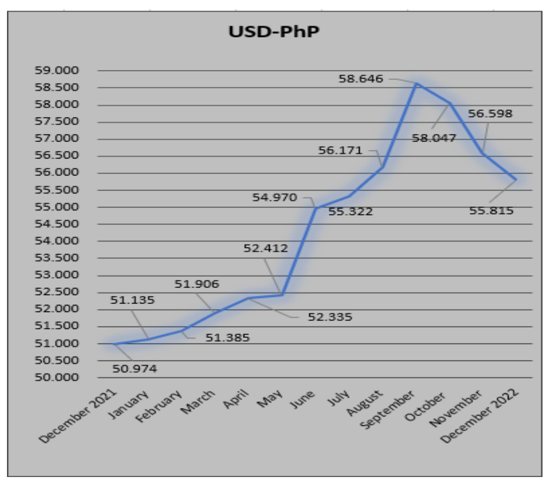
2.7 Foreign currency translation

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 converted to United States dollars (USD) and to PHP using cross-currency exchange rates.

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 decreased the foreign denominated assets and liabilities as of 31 December 2022 by PHP182.670 billion and PHP48.850 billion, respectively.

Exchange rates used are based on the published BSP Reference Exchange Rate Bulletin (RERB). The PHP versus the USD depreciated by PHP4.841 or 9.50%, from PHP50.974 as of end December 2021 to PHP55.815 as of end December 2022. The end-December 2022 rate of PHP55.815 was used in the financial statements. The following are the prevailing month-end WAERs in 2022:

For the Month Ended	Exchange Rate USD-PHP	Change Inc/(Dec)
2022		
December	55.815	(0.783)
November	56.598	(1.449)
October	58.047	(0.599)
September	58.646	2.475
August	56.171	0.849
July	55.322	0.352
June	54.970	2.558
May	52.412	0.077
April	52.335	0.429
March	51.906	0.521
February	51.385	0.250
January	51.135	0.161
2021		
December	50.974	
AVERAGE	**54.562**	



Classification: GENERAL

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 BSP Circular No. 753 dated 29 March 2012. Interests on deposit accounts of the National Government (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), now enhanced as *PhilPaSS^{plus}*, on the specified date referred to in the billing notice sent by the Department of Supervisory Analytics (DSA). Collection through *PhilPaSS^{plus}* is made only for member banks. On the other hand, collection for non-members is made through application of the bank's Demand Deposit Account (DDA) balance maintained with the BSP. Meanwhile, Offshore Banking Unit's (OBU) annual fees are collected by way of wire transfer through the Financial Markets (FM).

Likewise, these entities pay penalties in case of violation of BSP's directives under the Manual of Regulations for Banks and Non-Bank 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 other activities, among others.

Over the counter and online bank payments are made for entities without DDA in the BSP.

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 DDA 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 on the booking of unrealized and realized gains or losses due to changes in price and foreign exchange (FX) rates.

The BSP 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 FX 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 forward or option 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 FX 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 BSP adopts the installment method of accounting for the income earned on disposal of BSP acquired properties. The accounting policy and procedures in recording the disposal or sale on installment basis of acquired properties were approved under MBR No. 1949 dated 13 December 2019.

Further, the revisions of the guidelines and procedures in the disposal of BSP acquired properties through negotiated sale, which effectively limit the terms of sale to cash basis, were approved under MBR No. 1368 dated 22 October 2020. Moreover, purchase offers that are not covered by the said guidelines are elevated to the MB for approval.

2.9 Financial Assets

The BSP adopted the applicable provisions of the PFRS 9 - Financial Instruments 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:

a) Amortized cost;
b) Fair value through revaluation reserves; and,
c) Fair value through other comprehensive income.

2.9.1.1 Amortized cost (AC)

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

1. The financial assets are held within a business model the objective of which 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 FM 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 banks' availments in the BSP's 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, accounts receivable and notes 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.

2.9.1.2 Fair value through revaluation reserves (FVRR)

Foreign currency denominated financial assets are classified as FVRR if the two criteria below are met:

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 FX 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 following criteria are met:

- The financial assets are held within a business model the objective of which is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and

- 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 such as Treasury Bills and Fixed Rate Treasury Bonds.

2.9.2 Reclassification

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 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; or

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 Bank for International Settlements (BIS), the credit risks of which are assumed to be close or almost equal to zero.

Stage 1	Stage 2	Stage 3
12-month ECL	Lifetime ECL	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 ECL shall be measured on either a 12-month or lifetime basis. The key elements in ECL calculations are probability of default, exposure at default, and loss given default, defined as follows:

1. Probability of Default (PD) – represents the likelihood that the borrower/accountee will default either over the next 12 months (12-month PD) or over the remaining life of the financial assets (lifetime PD).

2. Exposure at Default (EAD) – the amount which the BSP expects to be owed at the time of default, over the next 12 months (12-month EAD) or over the remaining life (lifetime EAD). The 12-month EAD and lifetime EAD are determined based on the expected payment profile, which varies by product type. For amortizing and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.

3. Loss Given Default (LGD) – represents BSP's expectation of the extent of loss on a defaulted exposure expressed as a percentage loss per unit of exposure at the time of default.

For assets that are credit impaired at the reporting date (Stage 3), for a financial asset that is credit-impaired at the reporting date, but is not purchased or originated credit-impaired, the BSP shall measure the ECL as the difference between the financial asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognized in profit or loss as an impairment gain or loss.

The BSP shall regularly assess whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition. Impairment losses shall be recognized either individually or collectively.

The LGD 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 PD is the same as the 12-month PD.

The ECL shall be reviewed on a periodic basis 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 uncollectible and/or are 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 will 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 income statement 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 or borrower consistently demonstrates a good payment behavior over a period of time before the credit risk is considered to have decreased.

For accounts receivable, the BSP applies the simplified approach under PFRS 9 to measure ECL, which requires the use of a lifetime expected credit loss methodology. These are assessed collectively based on similar risk characteristics and days past due, with impact of forward-looking variables on macroeconomic factors considered insignificant.

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 or 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 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 with 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 percent (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 costs 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 percent (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 PHP50,000.00 are classified as semi-expendable property upon acquisition and as expense upon issuance to end-user in pursuance to Section 23 of the General Provisions of RA No. 11639 (General Appropriations Act of Fiscal Year 2022) and COA Circular No. 2022-004 dated 31 May 2022.

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 the capitalized development cost of computer software programs less any impairment loss and 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.

Donated CSAS will be recorded at its fair value or declared value as stated in the deed of donation or in any other relevant documents submitted by the donor, including any directly attributable costs. However, if it is not practicable to obtain the valuation of the donated item, the same shall be measured at nominal value of PHP1.00.

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 remain 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 Currency and Security Production Sub-Sector (CSPSS) to the Currency Policy and Integrity Department (CPID). 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 CPID to GRMO, and regional offices/branches (ROBs), for circulation to the banks and public. BSP values the currency inventory and issuances based on specific identification method of inventory valuation.

2.16 Heritage Items

Heritage items refer to all products of human creativity which include paintings, antiques and sculptures, by which people and a nation reveal their identity, whether public or privately-owned, movable or immovable, and tangible or intangible, and is intended to be held indefinitely and preserved for the benefit of future generations because of their historical significance.

Items that were acquired by the BSP through purchase shall be measured at cost, which comprises of the purchase price, including other applicable charges, after deducting discount and any costs directly attributable to bringing the assets to the location and condition necessary for the purpose intended by the Bank.

On the other hand, items acquired by BSP through donation shall be valued, as follows:

i. The fair value or cost as stated in the deed of donation or in any other relevant documents submitted by the donor, including any directly attributable costs.

ii. Where it is not practicable to obtain valuation of the donated item, the same shall be measured at nominal value of PHP1.00.

iii. Heritage items which were transferred to the BSP from the former CBP shall be valued at transfer cost.

Rehabilitation costs or expenses incurred in restoring the heritage items to their proper conditions and states shall be treated as outright expense.

These items shall be considered as non-depreciable assets due to the following factors: (i) their unique characteristics; (ii) the items are irreplaceable; (iii) their values may increase over time even if their physical condition deteriorates; and (iv) that it may be difficult to estimate their useful lives, which could be several hundreds of years.

An item of the Heritage Assets shall be derecognized on disposal or when its intended purpose will no longer be served.

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 of 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.

2.18 Derivative instruments

The BSP engages in derivative contracts, such as forwards, swaps, options and futures, which are not intended for hedging. In accordance 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. Unrealized gains/losses due to changes in price and/or exchange rates are recognized in the RIR account in the balance sheet while realized gains or losses are recognized in the income statement upon derecognition (see Note 2.8.3).

For forwards, a contingent asset/liability is recognized at spot date. At reporting date, the outstanding forward contract 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 purchase/sale of the currency is recorded. Realized gains or losses due to change in FX rates are recognized in the income statement and accounted for as the difference between the spot rate at maturity date and historical moving average rate.

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 (i.e., sale of USD for PHP) 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 (i.e., sale of third currency for USD or vice versa), gains or losses are not recognized on the first leg (see Note 2.8.3). At reporting date, 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.

For options, a derivative asset or liability is recognized on spot date when premium is paid or received. At reporting date, the derivative asset or liability is revalued and marked to market and the unrealized gains or losses due to change in FX rates and/or price are booked under the RIR account. At maturity date or once the option is exercised, the derivative asset or liability is reversed and recognized as trading gain or loss in the income statement. Furthermore, if an option is exercised, trading gains or losses from the sale of underlying asset is also recorded in the income statement.

For futures contracts, the set-up of an initial margin is recorded at spot date. Meanwhile, the variation margin, also known as maintenance margin, is posted daily to cover any decline in the market value of the open positions. At reporting date, the futures contract is marked-to-market and the unrealized gains or losses due to change in price and/or FX rates are booked under the RIR account. Once the position in a futures contract is closed, the corresponding realized gains or losses are recorded in the income statement

2.19 Overnight lending facility, overnight reverse repurchase facility, overnight deposit facility, term deposit facility, and BSP securities facility

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, thrift and digital) 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 at a predetermined rate. RRPs are open to banks (universal, commercial, specialized, thrift, and digital) and NBQBs. These counterparties may enter into RRP transactions with the BSP by participating in the RRP auction operation.

The BSP withholds twenty percent (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 percent (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, thrift, and digital) and NBQBs to place overnight deposits with the BSP at a fixed rate.

Interest on ODF transactions is subject to twenty percent (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 and fourteen (14) days. Pre-termination is prohibited for the 7-day tenor but is allowed for the 14-day tenor at the appropriate pre-termination rate after a 7-day holding period. The TDF auction is operated using a variable-rate, multiple-price tender (English auction) in order to bring short-term interest rates within a reasonably close range to the policy rate. Banks (universal, commercial, thrift and digital) and NBQBs can participate in the TDF.

Interest on TDF transactions is subject to twenty percent (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 negotiable 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, ODF, and TDF. The issuance of BSP Securities provides greater flexibility in managing the liquidity in the financial system. BSP Securities adds 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 help improve price discovery 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). Banks (universal, commercial, specialized, thrift and digital) and NBQBs can participate in the auction and secondary market trading while trust entities are allowed to buy and sell BSP Securities in the secondary market. The BSP currently offers twenty-eight (28)-day Bills and the transactions are subject to twenty percent (20%) FWT.

2.19.6 BSP Government Securities (GS) Purchase Window

The BSP opened a GS purchase window in March 2020 to inject substantial amounts of liquidity in the system to help calm the financial markets when the National Capital Region was placed under Community Quarantine.

2.19.7 Securities lending agreements

To enhance returns on investments in foreign securities and to offset custody fees, the BSP, through its securities lending agents, engages in securities lending transactions. Securities under custody may be lent out to approved 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 collateral securities with an obligation to deliver securities at a future date.

For loans collateralized with cash, the difference between the rebate rate and re-investment rate determines the securities lending income. On the other hand, loans collateralized with securities earns a lending fee 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 subsidiary ledger (SL) account in the balance sheet, these are reclassified to another SL account 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 Republic of the Philippines (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, as amended by RA No. 11211, 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 have been set up for BSP employees. The BSP's contributions to the Funds are charged to operating expenses and recognized in the income statement. Contributions to and augmentation of the Funds are disbursed to the Fund administrators. All income accrue to the Funds and are recognized in the books maintained by the fund administrators for each fund, as addition to the Fund balance except for Provident Fund (PF) whereby 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 percent (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 percent (20%) of the basic salary of each employee while the employee contributes 2.5 percent. As approved by the MB on 19 December 2008, the Bank's monthly contribution was increased from twenty percent (20%) to 22.5 percent while the employees are given the option to increase their personal contribution from 2.5 percent to five percent (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 percent (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, Bank Officer IV and equivalent positions (JG 6) and up are entitled to avail of 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 percent (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 percent (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 have been setup to cover for various risks.

Managed funds

2.22.1 Fidelity insurance fund (FIF)

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 PHP100.000 million. Accountabilities up to PHP100.000 million are covered by fidelity bonds issued by the Bureau of the Treasury (BTr). Annual charges against surplus are computed at one percent of seventy-five percent (1% of 75%) of the maximum amount of accountabilities (net of PHP100.000 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 accrue 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 against the said Fund since its establishment.

In line with the Bureau of the Treasury (BTr) Circular No. 02-2019 increasing the maximum cash accountability to be covered by the BTr from PHP100.000 million to PHP1.000 billion the MB in its Resolution No. 657 dated 18 May 2023 approved the additional provision for CY 2022 of PHP5.219 billion to cover the shortfall of FIF based on the supposed accumulated annual provision since the BSP stopped setting up annual provisions in CY 2006 up to CY 2022. This was sourced from the BSP's net income for the year.

Furthermore, the MB approved that starting in CY 2023, the BSP shall continue to set-up annual provision except when the balance of capital reserves is sufficient to cover the highest single amount of accountability for the given period, subject to availability of positive income or surplus. The annual provision shall be computed at one and a half percent (1.5%) of the seventy-five percent (75%) of the accountability in excess of PHP1.000 billion.

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 percent (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 PHP6.000 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 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 percent (15%) management fee payable to the PFO.

Other funds

2.22.6 Reserves for fluctuations in FX 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 FX 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.

In CY 2021, the provision of PHP10.861 billion was set up for financial market accounts particularly for fluctuation in FX rates, of which PHP7.602 billion and PHP3.258 billion were taken from the realized gains from FX rate fluctuations and BSP Surplus, respectively, in pursuant to MBR No. 427 dated 24 March 2022.

For CY 2022, the MB in its Resolution No. 657 dated 18 May 2023, approved the additional provision for financial market accounts of PHP15.852 billion, which was taken fully from the BSP's net income for the year.

2.22.7 Reserve for contingencies

This is a general reserve account approved under MBR No. 466 dated 03 May 1995 to cover any loss or claims that may arise against the Bank.

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 up to 31 December 2022.

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 BSP Complex at New Clark City (NCC) Project

The MB approved the setting up of capital reserves amounting to PHP25.272 billion from the BSP's CY 2021 net income to ensure the funding of the BSP Complex NCC Project until its completion.

2.22.11 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.

2.22.12 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:

	2022	2021
FX commitment receivable/payable	554,476,531,579	499,219,102,344
LCs held/received in process	2,950,633,373	4,167,402,087
Equity investment receivable/payable	861,173,900	861,173,900
Currency unissued	0	41,526,695,000

Below is the FX commitment receivable/payable as of 31 December 2022:

	Note	USD	PHP
FX commitment receivable/payable (no maturity)	2.23.1/2		
Chiang Mai initiative multi-lateralization arrangement (CMIM)	2.23.4.a	9,104,000,000	399,920,512,000
Foreign Currency Swap	2.23.1	1,061,376,480	61,488,671,673
New arrangements to borrow (NAB)	2.23.3.b	1,008,973,722	46,340,911,906
Bilateral Swap Arrangement	2.23.4.b	500,000,000	25,487,000,000
Note purchase agreement (NPA)	2.23.3.c	431,000,000	20,846,608,000
Catastrophe Containment and Relief Trust (CCRT)	2.23.3.d	2,000,000	101,388,000
Poverty Reduction and Growth Trust (PRGT)	2.23.3.e	5,000,000	291,440,000
Total		**12,112,350,202**	**554,476,531,579**

2.23.1 FX commitment receivable/purchases and payables represent the forward leg of a foreign currency swap transaction

A foreign currency swap transaction refers to the exchange of one currency for another at an agreed spot rate with a commitment to reverse exchange at an agreed forward rate and future date. The commitment receivable/purchase and payable for foreign currency swaps pertain to the outstanding forward leg of the swap transactions.

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 under various IMF facilities

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 2022, the Philippines has transferred a total of SDR563.130 million (USD815.472 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 SDR680.000 million.

As of end December 2022 out of total commitment of SDR680.000 million (USD1,018.247 million), total loans granted amounted to SDR89.920 million (USD133.156 million). Repayments received from the IMF reached SDR86.716 million (USD123.883 million), leaving an outstanding loan balance of SDR3.204 million (USD9.273 million). The amount of SDR676.796 million (USD1,008.974 million) is available for drawdown under the BSP's commitment.

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

The NPA, a bilateral borrowing agreement (BBA), was entered into between the BSP and the IMF to enhance the resources available to the Fund for crisis prevention and resolution. In 2012, the BSP agreed to purchase from the Fund promissory notes (PN) in a total principal amount up to USD1.000 billion effective on 30 September 2013 until 29 September 2017. It was renewed in 2016, effective on 2 November 2017 until 31 December 2020. In 2020, the NPA was again renewed with a reduced commitment amounting to USD431.000 million effective on 18 June 2021 until 31 December 2024. The FM, in coordination with the International Relations and Surveillance Department (IRSD), booked the reversal of the commitment accounts related to the expiry of the 2016 NPA on 01 January 2021, and set-up the 2020 NPA which took effect on 18 June 2021. As of end 2022, no transactions were made under the agreement.

d. Catastrophe Containment and Relief Trust (CCRT)

The MB in its MBR No. 657 dated 21 May 2020 and in line with the endorsement of the Department of Finance (DOF) and the Special Authority granted by the President of the ROP, approved for the BSP, for and on behalf of the NG, to contribute to the CCRT of the IMF to help the poorest and most vulnerable countries affected by natural and health disasters. The BSP contributed USD4.000 million to the Fund's CCRT to be disbursed in four (4) equal annual installments beginning in 2021. As of end-December 2022, Philippines had remitted its 2^{nd} tranche to the Fund amounting to USD1,000 million.

e. Poverty Reduction and Growth Trust (PRGT)

The BSP to contribute one-time disbursement amounting to USD5.000 million to the Fund's PRGT in 2023.

2.23.4 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 2022, no transactions were made.

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

The BSA with BOJ, acting as the agent for the Minister of Finance of Japan, would allow the BSP to swap up to USD12.000 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. The ASA expired on 17 November 2021. ASEAN member central banks are currently in discussions to re-establish the arrangement through the Task Force (TF) for the ASA Re-establishment.

2.23.5 Equity investment receivable/payable

The commitment amounted to SDR12.000 million (USD18.500 million), which represents the uncalled portion or seventy-five percent (75%) of the BSP shareholdings in the BIS.

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

2.23.7 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 subsidiary ledgers for the affected income or expense accounts. 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 when 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 44 of RA No. 7653, as amended by RA No. 11211 (BSP Charter), fifty percent (50%) of BSP's net profits shall revert back to the National Treasury except as otherwise provided in the transitory provisions of the said law. Under the transitory provisions, Section 132 (b) of the BSP Charter states that the BSP shall remit seventy-five percent (75%) of its net profits as computed under the said law to a special deposit account (sinking fund) or to the National Treasury as dividends, until such time as the net liabilities of the Central Bank have been liquidated through generally accepted finance mechanisms. Thereafter, BSP shall remit fifty percent (50%) of its said net profits to the National Treasury. Section 132 (e) of the BSP Charter further states that upon the liquidation of retained liabilities of the Central Bank and the disposition of its retained assets, the Central Bank shall be deemed abolished.

For CYs 2016 to 2018, the Monetary Board approved the declaration and remittance to the National Government (NG) of fifty percent (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, without prejudice to the Supreme Court pronouncement in Bangko Sentral ng Pilipinas v. The Commission on Audit, G.R. No. 210314, 12 October 2021 to which an Entry of Judgment dated 08 August 2022 was issued. The Supreme Court ruled that the BSP is not covered by the application of RA No. 7656. The BSP is not a government-owned or -controlled corporation (GOCC) as defined under RA No. 7656 and the Administrative Code, and as gathered from the legislative intent of the Constitutional Commission and Congress. Thus, it is the BSP Charter, and not RA No. 7656 (which applies only to GOCCs), that governs the computation of the BSP's net earnings.

Insofar as the rate of dividend to be used by BSP is concerned, the Bureau of the Treasury (BTr) – Accounting Office posits that the Central Bank Board of Liquidator's (CB-BOL) liabilities due to the NG are still recorded in the BTr books and, in the absence of any issuance or regulation, the liabilities of the Central Bank are not yet considered fully liquidated. As such, the applicable dividend rate is still seventy-five percent (75%).

On the other hand, pursuant to Sections 44 and 132 (b) and (e) of the BSP Charter, the BSP considers the Central Bank liabilities liquidated, hence, the applicable dividend rate is already fifty percent (50%). Based on the CB-BOL's End Term Report and Performance Review of Operations dated 19 June 2018, submitted to the Office of the President, the liabilities of the then Central Bank were fully settled by the end of 2011 through refinancing, a mode of liquidation contemplated under Section 132 (b) of the BSP Charter. Moreover, while the liquidation or settlement of the Central Bank's old liabilities through refinancing created a new liability recorded by the CB-BOL, the liabilities of the Central Bank were fully liquidated through confusion or merger of rights of a creditor and debtor in the same person, pursuant to Article 1275 of the Civil Code of the Philippines, when the assets and liabilities of the CB-BOL were turned over to the NG upon cessation of the CB-BOL's term on 02 July 2018.

Nonetheless, the BSP will closely coordinate with the BTr to resolve the issue on the applicable dividend rate and to determine the underpaid dividends of BSP to the NG, if any.

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 under BIR 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 percent (25%) of net taxable income; or (b) MCIT computed at one percent (1%) based on gross income, whichever is higher. For purposes of applying the MCIT, gross income means gross receipts less sales returns, allowances, discounts, and cost of services as provided under RR No. 9-98, as amended, in relation to Section 27(E)(4) of the NIRC, as amended. Income tax obligation computed under RCIT is booked as an expense. As provided for under RR 9-98, as amended, the amount computed and paid under MCIT in excess of the normal income tax/RCIT is recognized as deferred charges. This asset account shall be carried forward and credited against the normal income tax for a period not exceeding three (3) taxable years immediately succeeding the taxable year/s in which the same has been paid, as provided under Section 27(E)(2) of the NIRC, as amended.

The business tax/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 percent (20%) FWT. However, the twenty percent (20%) FWT attributable to the discount on government securities 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 DOF Order No. 141-95 and BIR Revenue Ruling dated 9 November 1995, Ref. No.177-95, which state that, *"xxx twenty percent (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 FM, 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, PV01 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 2022, grouped into assets and liabilities at carrying amounts:

Currency	Original Currency	USD Equivalent
Assets		
USD	91,207,675,984	91,207,675,984
SDR	2,925,657,045	3,907,917,142
CNY	13,052,735,003	1,891,706,779
AUD	2,666,722,248	1,813,904,473
GBP	1,409,255,261	1,697,870,738
CNH	3,966,254,385	572,612,112
JPY	20,612,187,821	157,662,625
EUR	470,775	502,129
CAD	27,440	20,218
Liabilities		
SDR	2,837,824,211	3,790,595,312
JPY	20,737,457,707	158,620,814
AUD	18,066,123	12,288,577
EUR	1,080,830	1,152,813
GBP	22,247	26,916
CNH	59,920	8,651
CAD	629	464
CNY	1,250	181
USD	(425,897,120)	(425,897,120)

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 FX 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. Exposure to commodity risk associated with the gold holdings of the BSP is managed by placing a target range on the level of the gold holdings relative to the level of the Gross International Reserves (GIR) as approved by the MB, 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. Investments are limited to eligible instruments and issuers.

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 (OCL) and emergency loans to distressed banks and loans to 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 Credit Line Loans	Real estate mortgage on bank assets, mortgage credits, government securities
Loans to PDIC and NG	Government securities

To minimize credit loss, the BSP monitors the loan to value ratio of the collaterals and requires 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 annual 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 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, offsite back-up facilities, and other alternative work arrangements are in place for Prioritized Offices. These facilities are periodically tested to minimize business disruptions in the event that the primary installations become unavailable.

FM is currently using the Treasury Portfolio Management System (TPMS) which is a system that enhances the BSP's capability to manage the GIR with greater efficiency and reduced operational risk. It includes a straight through process covering different aspects of portfolio management, segregated controls, audit trails, robust reporting tools, and integration with other systems. The TPMS project started in 2020 and successfully went live in March 2022. During the year, the FM and Technology and Digital Innovation Office (TDIO) together with SimCorp, were also able to accomplish the early care (3-month onsite support) while the 1-year support and warranty is ongoing and expected to end in June 2023.

FM 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 FM's 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, FM secures the necessary authority from, and approval by the MB before agreements, letters, and other documents are signed. Relatedly, confidential information of the BSP is released, disclosed and/or submitted to requesting entities in accordance with applicable laws and policies.

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. Moreover, alongside engaging appraisal companies, AMD also conducts internal appraisals/table appraisals serving as another basis for determining any impairment loss.

4. SIGNIFICANT EVENTS

The MB approved on –

a. 27 December 2022 the award of contract to Refinitiv Limited – Philippine Branch (Refinitiv) for the renewal of subscriptions thereto, covering the period 1 January 2023 to 31 December 2024, for the use of various departments/offices of the BSP, as per BSP terms of reference and terms of conditions, in the total amount of USD4.605 million, Value Added Tax inclusive, (equivalent to PHP225.128 million which is based on BSP reference rate of USD1.00 = PHP55.40, prevailing on 20 December 2022, opening of request for confirmation).

b. 22 December 2022 the award to Design Coordinates Inc for one lot Construction Management Consultancy Services for the Restricted Zone of BSP Complex at NCC, as per BSP terms of reference and annex, in the total amount of PHP115.445 million, inclusive of all applicable taxes and other charges.

c. 22 December 2022 the recommendation of the NCC – Program Management Office in its memorandum dated 16 December 2022 to incorporate a gradual ramp in the Site Development of the Restricted Zone (RZ) of the BSP Complex in NCC, Capas, Tarlac, to address the issue on the elevation difference of the RZ from its surrounding roads and to note the resulting estimated additional annual operating cost of PHP1.500 million to PHP2.000 million to maintain the RZ free from risk of flooding.

d. 15 December 2022 the 2023 BSP Cash Budget and the BSP Multi -Year Contracting Authority for new multi-year projects/items amounting to PHP245.040 billion and PHP23.550 billion, respectively.

e. 9 December 2022 the award of contract to VHP Security Paper B.V., for the supply and delivery of various Enhanced New Generation Currency banknote paper (50-outs), as per BSP technical specifications and terms of reference, under BAC-SPC GS No. 2022-691 dated 8 September 2022, in the amount of EUR16.417 million for Lot 1 and EUR2.764 million for Lot 2, or in the total amount of EUR19.181 million, Delivery at Place (DAP), BSP-Quezon City (QC), Incoterms 2020, exclusive of value added tax (VAT) and other applicable charges.

f. 27 October 2022 the increase in Gross Floor Area (GFA) to 149,632.32 square meters for the Semi and Non-Restricted Zones of the BSP-NCC and the notation of the legal propriety of the procurement of the additional services of Aide, Inc., Architectural and Engineering consultant of the SNRZ of the BSP-NCC Complex, for the increase in GFA.

g. 21 October 2022 the award of contract to the Joint Venture of Brink’s Philippines, Inc. and Golden Gate Security and Investigation Services, Inc., Single Calculated Responsive Bidder, for one lot leasing of 25 coin deposit machines, including labor, tools, machines and equipment, technical supervision, and maintenance services, to be deployed within the Greater Manila Area (GMA), as per BSP terms of reference and terms of conditions, in the total amount of PHP86.553 million, inclusive of all applicable taxes and other charges.

h. 29 September 2022 the payment of PHP1.000 billion on or before 30 September 2022 as a compromise settlement of the BSP’s alleged tax liabilities covering taxable year 2020, to settle the tax assessment from the BIR.

i. 29 September 2022 the Supplemental Budget for Interest Expense – Domestic and Foreign accounts aggregating PHP36.164 billion to cover interest expense for government deposits (PHP20.014 billion), and Interest for Other Domestic and Foreign accounts (PHP17.150 billion) for the period August to December 2022, to be lodged in the budgets of Financial Accounting Department (FAD) and FM, respectively.

j. 25 August 2022 the award of Contract to the Joint Venture of CRIF and Total Information Management Corporation for one lot – Supply, Delivery, Installation, Design, Configuration, Testing and Implementation of a Credit Information Management System (CRIMS), inclusive of Software Subscription, Support Services, All Appropriate Licenses, Database Management System, All Associated Third Party Licenses, and Related Services for the Implementation of CRIMS, as per BSP terms of reference and annexes, in the amount of PHP105.700 million, inclusive of all applicable taxes and other charges.

k. 5 August 2022 the award of the contract to Ebizolution, Inc., for one lot Hyper Converged Infrastructure Subscription and Managed Services, as per BSP terms of reference, in the total amount of PHP116.289 million, inclusive of all applicable taxes and other charges.

l. 21 July 2022 the award of the contract to Design Coordinates, Inc. for one lot – Construction Management Consultancy Services for the Semi and Non-Restricted Zones of the BSP Complex at NCC, as per BSP terms of reference, in the total amount of PHP117.814 million, inclusive of all applicable taxes.

m. 14 July 2022 the declaration of 50% of the net income of BSP for calendar year 2021, as dividends to the NG amounting to PHP17.406 billion, computed based on BSP's audited financial statements.

n. 29 June 2022 the grant of authority to Security Services Department (SSD) to enter into a multi-year contract for the provision of Fuel Fleet Card for Gasoline- and Diesoline-Fed Armored and General Services Vehicles of the BSP Head Office and SPC.

o. 28 April 2022 the award of contract to Yek Yeu Merchandising, Inc. for one lot Supply, Delivery, Installation, and Commissioning of Closed Circuit Television Surveillance Systems for various BSP sites, as per terms of reference, in the total amount of PHP394.000 million, inclusive of all applicable taxes and other charges.

p. 28 April 2022 the award of contract to Asian Aerospace Corporation of One Lot Engagement of Chartered Aircraft Services (Big Aircraft) for BSP Shipments of Official Cargos for BSP ROBs in Mindanao (Lot 3), as per BSP technical specifications and terms of reference, in the total amount of PHP68.275 million, inclusive of all applicable taxes and other charges.

q. 13 April 2022 the compromise settlement between the BSP and Pointwest Technologies Corporation, relative to the contract for one lot – Consulting Services for the design, development, delivery, installation, implementation and migration of the Loans and Credit Management Information System.

r. 31 March 2022 the early remittance to the NG of PHP17.000 billion dividend, equivalent to approximately 98% of the BSP's estimated declarable dividend amounting to PHP17.301 billion for calendar year 2021.

s. 17 March 2022 to impose liquidated damages equivalent to 10% of the contract price amounting to PHP27.301 million and waive the amount in excess thereof, which is estimated at PHP138.645 million and allow payment to Joint Venture of JBros Construction Corporation and R.R. Encabo Constructors, Inc. the net amount of PHP45.515 million, after the deduction of 10% retention money, full recoupment of advance payment, applicable charges and taxes, and LD equivalent to 10%, relative to the ongoing construction of the BSP Puerto Princesa Branch Building Project.

t. 10 March 2022 the award of contract to Cash Processing Solutions Limited for one lot – Multi Year Application Support and Maintenance for the BSP's Integrated Currency Management System (ICMS), inclusive of enhancement, from 2022 to 2024, as per BSP terms of reference, annexes, and terms and conditions, in the amount of USD1.945 million for three years, inclusive of bank charges, all applicable taxes and other charges.

u. 24 February 2022 the award of contract to LSERV Corporation for two lots – supply of Personnel for Manpower and related Services, as per BSP terms of reference, in the total amount of PHP55.052 million for the first year, or PHP194.847 million for three years, inclusive of all applicable taxes and other charges.

v. 10 February 2022, in behalf of the NG, to contribute to the Poverty Reduction and Growth Trust of the IMF in the total amount of USD5.000 million to be disbursed in one tranche in 2023.

w. 10 February 2022 the award of contract to VGR-A Construction Inc. for one lot – hiring of general contractor for the proposed office and commercial building with parking at the PICC, as per BSP scope of works, technical specifications, and approved Plans and Drawings, in the total amount of PHP197.320 million, inclusive of all applicable taxes and other charges.

x. 10 February 2022 the award of contract to Yondu Inc. for one lot multi-year supply of services of various information technology (IT) personnel for the IT Systems Management Department (ITSMD), as per BSP terms of reference, in the total amount of PHP49.193 million for the first year, or PHP147.579 million for three years, inclusive of all applicable taxes and other charges.

y. 3 February 2022 the total estimated cost for the proposed BSP Complex at New Clark City (NCC) Project amounting to PHP25.272 billion.

z. 3 February 2022 the BSP's investment amounting to USD100.000 million in the BIS Asian Green Bond Investment Pool, as approved by the Investment Management Committee.

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	2022	2021 (as restated)
DFFB-Demand Deposit	a	36,778,849,091	147,774,002,183
DFFB-Time Deposit	b	224,633,322,244	265,199,261,766
Allowance for impairment loss		(2,707,064)	(9,297,679)
		224,630,615,180	265,189,964,087
		261,409,464,271	412,963,966,270
Accrued interest		1,191,589,699	27,548,981
Total		**262,601,053,970**	**412,991,515,251**

Accrued interest, 31 December 2021, before adjustment	27,548,980
Add:	
Adjustment of interest income	1
Accrued interest, 31 December 2021, as restated	**27,548,981**

a. **Due from foreign banks - demand deposits (DFFB-DD)** represent 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)** represent 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 GMRO. 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

	2022	2021
Marketable securities	2,494,526,177,870	2,416,169,315,423
Allowance for impairment loss	(13,094,190)	(12,548,938)
	2,494,513,083,680	2,416,156,766,485
Other investments	1,411,269,510,062	1,409,867,035,856
	3,905,782,593,742	3,826,023,802,341
Accrued interest	12,420,605,375	9,810,665,993
Total	**3,918,203,199,117**	**3,835,834,468,334**

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 (PHP1,318.129 billion), Bank for International Settlement and Investment Pool (BISIP) – **(**PHP51.218 billion), and Asian bond fund (PHP41.922 billion).

9. FOREIGN SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

These represent excess funds of BSP's daily requirements held and invested automatically by Nostro banks in an overnight facility.

	2022	2021
Foreign securities purchased under agreements to resell	411,211,431,000	579,232,854,200
Allowance for impairment loss	(306,662)	(428,473)
	411,211,124,338	579,232,425,727
Accrued interest	49,016,765	0
Total	**411,260,141,103**	**579,232,425,727**

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 NAB will be in the form of loans to IMF.

	2022	2021
Beginning balance-January 1	573,119,957	1,004,422,862
Add/(deduct):		
Repayment	(350,487,254)	(412,927,602)
Revaluation adjustments	16,214,836	(18,375,303)
	(334,272,418)	(431,302,905)
Total	238,847,539	573,119,957
Accrued interest	1,193,913	52,437
Ending balance-December 31	**240,041,452**	**573,172,394**

11. GOLD

	Note	2022	2021
In bullion vault	a	28,648,757,722	268,197,768,224
With foreign financial institutions (FFIs)	b	489,466,879,915	207,540,742,496
Ending balance-December 31		**518,115,637,637**	**475,738,510,720**

a. Gold in bullion vaults

	2022		2021	
	FTO	PHP	FTO	PHP
Opening balance-January 1	**2,878,497.734**	**268,197,768,224**	**2,687,125.692**	**246,727,992,903**
Additions during the year	265,018.783	25,073,647,385	191,372.042	16,325,443,785
	3,143,516.517	293,271,415,609	2,878,497.734	263,053,436,688
Transfer to Gold with FFIs	(2,863,119.577)	(153,653,020,649)	0	0
Net increase/(decrease) due to price/rate revaluation	0	(110,969,637,238)	0	5,144,331,536
Ending balance-December 31	**280,396.940**	**28,648,757,722**	**2,878,497.734**	**268,197,768,224**

	USD/FTO	
	2022	2021
Revaluation Rate	1,830.55	1,827.85
Moving Average Rate	1,298.28	1,107.97

b. Gold with foreign financial institutions

	2022		2021	
	FTO	PHP	FTO	PHP
Opening balance-January 1	**2,227,367.856**	**207,530,157,462**	**3,382,458.416**	**310,572,437,509**
Additions/deductions during the year:				
Transfer from bullion vault	2,863,119.577	153,802,045,799	0	0
Purchases	31,077.078	2,624,358,055	62,071.054	5,082,119,680
Sales	(331,200.554)	(28,204,893,034)	(1,217,161.610)	(75,785,325,321)
Net increase/(decrease) due to price/rate revaluation		153,690,108,104		(32,339,074,406)
	2,562,996.101	281,911,618,924	(1,155,090.556)	(103,042,280,047)
	4,790,363.957	489,441,776,386	2,227,367.860	207,530,157,462
Accrued interest	0	25,103,529	0	10,585,034
Ending balance-December 31	4,790,363.957	**489,466,879,915**	**2,227,367.860**	**207,540,742,496**

	USD/FTO	
	2022	2021
Revaluation Rate	1,830.55	1,827.85
Moving Average Rate	1,267.10	1,423.21

12. IMF 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.

	2022	2021
Beginning balance-January 1	**200,783,645,080**	59,203,595,260
Add/(deduct):		
Acquisition / Allocation	0	139,825,655,683
Revaluation	9,042,278,069	1,733,993,782
Income accruing to the fund	1,872,913,804	74,237,659
Payment of interest and assessment	(1,566,646,025)	(51,201,417)
Adjustment due to moving average computations	(652,603)	(2,635,887)
	9,347,893,245	141,580,049,820
	210,131,538,325	200,783,645,080
Accrued interest	964,630,419	18,367,606
Ending balance-December 31	**211,096,168,744**	**200,802,012,686**

13. LOANS AND ADVANCES

	Note	Percent to Total	2022	2021 (as restated)
Local currency loans and advances				
PDIC	a	18.21	15,932,902,237	35,977,901,954

	Note	Percent to Total	2022	2021 (as restated)
Allowance for impairment loss	f		(2,972,283,329)	(2,972,283,329)
			12,960,618,908	33,005,618,625
National Government				
IMF quota subscription	b		68,352,097,440	68,352,097,440
		78.10	68,352,097,440	68,352,097,440
Emergency	c			
Commercial bank			1,306,259,753	1,578,259,754
Thrift banks			48,089,486	48,089,486
Rural/Cooperative banks			133,556,475	137,161,293
Non-bank financial institution			0	3
		1.70	1,487,905,714	1,763,510,536
Allowance for impairment loss			(1,470,899,762)	(1,745,866,659)
			17,005,952	17,643,877
Rediscounting	d			
Thrift banks			11	22
Specialized bank			90	90
Rural/Cooperative banks			19,866,114	23,031,414
		0.02	19,866,215	23,031,526
Allowance for impairment loss			(16,551,257)	(15,978,430)
			3,314,958	7,053,096
Overdrafts/overnight clearing line (OCL	e	1.93	1,690,949,363	1,693,418,943
Allowance for impairment loss			(1,687,155,356)	(1,686,472,655)
			3,794,007	6,946,288
Special program				
Thrift banks			3,428,063	3,428,063
Specialized bank			11,420,339	11,420,339
Rural/Cooperative banks			20,152,699	20,258,757
		0.04	35,001,101	35,107,159
Allowance for impairment loss	f		(34,859,551)	(34,616,601)
			141,550	490,558
Total		100.00	87,518,722,070	107,845,067,558
Allowance for impairment loss	f		(6,181,749,255)	(6,455,217,674)
Net			81,336,972,815	101,389,849,884
Accrued interest			2,612,804,103	21,145,412,785
Allowance for impairment loss - accrued interest			(782,918,994)	(782,919,382)
Net			1,829,885,109	20,362,493,403
Total			**83,166,857,924**	**121,752,343,287**
Total local currency - loans and advances			**87,518,722,070**	**107,845,067,558**
Allowance for impairment loss	f		**(6,181,749,255)**	**(6,455,217,674)**
Net			**81,336,972,815**	**101,389,849,884**
Amount past due (***Annex B***)			**6,205,607,864**	**6,487,043,591**
Percent of past due to total local currency - loans and advances			**7.09**	**6.02**

The Loans and Advances balance as of 31 December 2021 are restated as shown below:

	Rediscounting Rural/Cooperative/Banks
Loans and advances	**23,394,422**
31 December 2021, before adjustment	
Deduct:	
Reapplication/adjustment of payment	(363,008)
31 December 2021, as restated	**23,031,414**

Accrued interest - L&A

31 December 2021, before adjustment	21,115,980,512
Add:	
Reapplication/adjustment of payment	29,432,273
31 December 2021, as restated	**21,145,412,785**
Impairment loss - L&A – Special Program	
31 December 2021, before adjustment	34,965,609
Deduct:	
Reapplication/adjustment of payment	(349,008)
31 December 2021, as restated	**34,616,601**

a. Loans to PDIC intended as Financial Assistance (FA) to banks decreased to PHP15.933 billion from last year's level of PHP35.978 billion due to the PDIC's settlement of its two (2) outstanding loans with the BSP amounting to PHP20.000 billion and PHP0.045 billion.

Of the PHP20.000 billion loan of PDIC, the PHP12.108 billion was settled through a Certificate of Indebtedness (COI) assigned to the BSP, including PHP0.108 billion accrued interest reckoned from 24 September 2021 to 31 March 2022; condonation of interest of PHP6.147 billion; payment of cash component of compromise settlement of PHP1.709 billion; and application of the remaining PHP0.036 billion against the BSP's existing accounts payable to PDIC.

The remaining account balance as at year-end which constituted 18.21 percent of the total loan portfolio, includes the loan to PDIC used as FA to the Philippine National Bank (PNB).

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 as FA to the PNB, and the intention of the parties as shown by their contemporaneous and subsequent acts, the BSP and the PDIC clearly entered into an ordinary contract of loan; hence, the repayment of which is not meant to be exclusively sourced from those listed under Section 1.05 of the LA.

The PDIC, however, filed an appeal dated 09 December 2019 before the Office of the President (OP), praying that the 23 October 2019 Resolution of 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, on 17 January 2020, the BSP filed its Comment on PDIC's appeal, 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 DOJ Resolution dated 23 October 2019. As of 31 December 2022, the BSP has yet to receive OP's resolution of PDIC's appeal.

b. IMF quota subscription represents non-interest bearing loan extended to the ROP to cover 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 value dated 18 February 2016 amounting to PHP68.352 billion, with a maturity date of 17 February 2021, renewed for another period of five (5) years or until 17 February 2026.

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 Sections 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 to have access to the BSP's credit facility. The emergency loans of PHP1.488 billion, which accounts for 1.70 percent of the loan portfolio, decreased by PHP275.604 million, due to foreclosure, write-off, and collection of accounts from closed banks, of which PHP272.000 million was paid on 28 January 2022 through compromise agreement relative to the settlement of the case approved per MBR No. 1248 dated 16 September 2021.

d. Rediscounting Facility is a standing credit facility provided by BSP to help banks meet temporary liquidity needs by refinancing the loans extended to their clients. Rediscounting loans of PHP19.866 million, which account for 0.02 percent of the loan portfolio, decreased by PHP3.165 million or 13.74 percent from last year's balance of PHP23.032 million due to collection, foreclosure, and write-off of accounts from closed banks.

e. OCL Facility is a short-term credit facility available to banks participating directly in the clearing operations of the Philippine Clearing House Corporation (PCHC) to cover shortfalls in the bank's DDA with the BSP. It is intended to tide over a bank experiencing an unexpected or higher-than-usual volume of inward transactions. It complements the Intraday Liquidity Facility which is a fully collateralized facility established to maintain the smooth and efficient operation of the payments system in order to avoid interbank payments gridlock in the payments and settlement process. In 2022, a total of PHP75.000 million was availed of in the BSP's OCL Facility. All of which have been fully settled by the borrower-bank on the date of release.

f. Allowance for Impairment Loss (AIL) – of the total outstanding loans and advances which amounted to PHP87.519 billion, exclusive of accrued interest receivable, 7.06 percent or PHP6.182 billion is provided with AIL. The decrease in the balance from PHP6.456 billion to PHP6.182 billion was significantly attributable to the reversal of AIL due to the collection of the past due emergency loans of a closed bank amounting to PHP272 million. This was further reduced by the write-off of past due loans from closed banks, collections on outstanding loans, and adjustments during the year aggregating to PHP1.817 million.

14. OTHER RECEIVABLES

	Note	2022	2021 (as restated)
Foreign currency receivables			
Non-IR foreign exchange assets	a	327,906,969,423	335,769,991,456
Accrued interest – Non-IR		1,712,050,550	1,563,559,354
Accounts receivable – foreign		52,115,442	100,008,594
Due from foreign banks/branches	b	29,648,883	27,072,084
Accrued income receivable		1,511,925	1,453,134
Total		**329,702,296,223**	**337,462,084,622**
Local currency receivables			
Accounts receivable -TOP	c	20,397,896,094	16,443,240,209
Sales contracts receivable	d	2,828,221,879	3,268,467,379

	Note	2022	2021 (as restated)
Accrued interest - sales contracts receivable		24,818,323	29,021,539
Accrued interest – notes receivable		54,973,972	0
Accounts receivable		3,112,645,032	3,990,741,465
Allowance for impairment – AR		(2,026,285,596)	(2,015,542,534)
		1,086,359,436	1,975,198,931
Notes receivable	e	13,066,730,850	1,366,730,850
Allowance for impairment – NR		(789,262,044)	(752,642,132)
		12,277,468,806	614,088,718
Receivables from staff/others		755,302,551	494,670,594
Due from local banks		10,319,013,648	519,377,513
Items under litigation	f	18,758,420	18,758,420
Allowance for impairment- items under litigation		(4,258,420)	(4,258,420)
		14,500,000	14,500,000
Lease receivable	g	77,941,173	78,215,892
Allowance for impairment – lease receivable		(77,926,852)	(77,933,113)
		14,321	282,779
Total		**47,758,569,030**	**23,358,847,662**

	Balance, 31 December 2021, before adjustments	Adjustments	Balance, 31 December 2021, as restated
Local currency receivable			
Sales contracts receivable	**3,268,294,679**	**172,700**	**3,268,467,379**
- Prior year's sale of acquired assets		172,700	
Accrued interest - sales contracts receivable	**30,277,022**	**(1,255,483)**	**29,021,539**
- Recomputation and adjustment of interest on sales contract receivable		(1,255,483)	
Accounts receivable	**4,013,952,729**	**(23,211,264)**	**3,990,741,465**
- Unrecorded receivable from penalties and adjustment of income		(11,203,383)	
- Disallowances on medical/hospitalization claims and refund of scholarship expenses		(8,958,073)	
- Overpayment of personnel services and others		(2,484,897)	
- Adjustments on vault/space rental charges, lost properties, penalties, supervisory fees, legal fees and other earnings		(521,101)	
- Shares of lessee/borrowers/ buyers on electricity, foreclosure expenses, real estate tax and other expenses advanced by BSP		(43,810)	
Receivables from staff/others	**506,085,457**	**(11,414,863)**	**494,670,594**
- Liquidation of prior year's cash advances of BSP and Non-BSP personnel		(11,414,863)	
Lease receivable	**77,981,733**	**234,159**	**78,215,892**
- Application/adjustment of rental payments		234,159	

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 percent (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 decrease was primarily due to net revaluation loss of PHP12.169 billion and net investment activity of PHP4.306 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 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 increased by PHP3.955 billion due to revaluation of the IMF holdings during the year. amounting to PHP4.955 billion net of the NG's partial settlement of PHP1.000 billion through the BTr.

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 2022	Current	Non-Current
I. Auction/negotiated sales			
a. BSP personnel	3,466,694	1,728,147	1,738,547
b. Non-BSP personnel/others	2,545,418,356	738,197,536	1,807,220,820
c. Restructured principal - Non-BSP	6,881,895	2,128,900	4,752,995
d. Restructured interest - Non-BSP	1,084,973	400,938	684,035
	2,556,851,918	742,455,521	1,814,396,397
II. Sales under AMD - PFO housing program			
a. BSP personnel	203,217,447	15,646,418	187,571,029
b. Non-BSP personnel/others	68,152,514	4,419,588	63,732,926
	271,369,961	20,066,006	251,303,955
Total	**2,828,221,879**	**762,521,527**	**2,065,700,352**

e. Notes receivable is composed of the following:

	Note	2022	2021
PDIC	e.1	11,700,000,000	0
PDCP Development Bank, Inc.	e.2	1,366,730,850	1,366,730,850
Total		**13,066,730,850**	**1,366,730,850**

e.1 On 24 September 2021, the PDIC sold to the Land Bank of the Philippines (LBP) its PHP12.000 billion Special Preferred Shares in the United Coconut Planters Bank (UCPB). The PDIC was paid by LBP in the form of COI payable in twenty (20) years with annual interest rate of 1.75%. On 31 May 2022, the said COI at face value of PHP12.000 billion, including accrued interest reckoned from 24 September 2021 to 31 March 2022, was assigned by PDIC in favor of the BSP as part of the full settlement of one (1) of its outstanding loans with the BSP.

The COI outstanding balance as of 31 December 2022 was reduced to PHP11.700 billion due to receipt in September 2022 of the LBP's payment of first annual amortization of COI for the principal amount of PHP0.300 billion.

e.2 This represents a BSP claim against the former Producers Bank of the Philippines which then became First Philippine International Bank (FirstBank) in 1993 (now First Producers Holdings Corporation [FPHC]). FirstBank merged with PDCP Development Bank, Inc. in 1996, with the latter as the surviving institution. PDCP Development Bank, Inc. was then renamed to First e-Bank Corporation (A Development Bank). It has a 30-year repayment program without grace period and is 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 a Special Escrow Fund (SEF), which shall be administered by DLC until the fund reaches PHP1.367 billion then it shall be applied against the BSP claim per MBR No. 1131 dated 27 September 1995, as amended by MBR No. 590 dated 13 June 1996.

Starting CY 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 that the balances of the escrow fund and the 30-year FXTBs. The carrying amount of the notes receivable is equivalent to the net recoverable value of the SEF and the 30-year FXTB maintained with the BSP. Based on the Memorandum of Agreement dated 14 January 1997 between BSP and PDCP, with conformity of FPHC, any shortfall at the end of the 30th year, due to fluctuations in interest rates, PDCP shall shoulder and pay BSP the amount of the shortfall.

f. Items under litigation

	Note	2022	2021
CSS-Financial Accounting Department	a	14,500,000	14,500,000
BSRB-Tacloban	b	2,499,920	2,499,920
BSRB-Legazpi	c	1,758,500	1,758,500
Total		18,758,420	18,758,420
Allowance for impairment		(4,258,420)	(4,258,420)
Net		**14,500,000**	**14,500,000**

a. Pilfered clearing items paid to the 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 BSR/B-Tacloban arising from misappropriated cash on hand under Civil Case No. 97-11-219.

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

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

15. INVESTMENTS SECURITIES – DOMESTIC

	2022		2021 (as restated)	
	Face Value	Market Value	Face Value	Market Value
BSP-Head Office				
Treasury bills	174,553,520,000	172,538,337,802	179,213,100,000	178,470,914,711
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	1,167,793,571,129	1,112,035,097,740	1,161,160,666,408	1,226,375,856,871
	1,392,347,091,129	1,334,573,435,542	1,390,373,766,408	1,454,846,771,582
Accrued interest		15,554,832,270		15,731,861,941
Total		**1,350,128,267,812**		**1,470,578,633,523**

a. Movement in investment securities is summarized as follows:

	2022	2021
Beginning balance, January 1	**1,454,846,771,582**	**1,367,495,435,603**
Add/(Deduct):		
Purchases	512,463,549,713	651,991,390,648
Redemption	(485,435,929,319)	(462,630,981,590)
Marking to market	(102,104,632,233)	(86,650,850,166)
Accrual/reversal of discount	(28,268,307,344)	35,974,935
Net premium amortization	(15,314,153,362)	(15,250,074,528)
Sales	(1,613,863,495)	(144,123,320)
	(120,273,336,040)	87,351,335,979
Ending balance, December 31	**1,334,573,435,542**	**1,454,846,771,582**

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

	90-180 Days	181-365 Days	More than 1 year	Total
Treasury bills	148,278,343,641	24,259,994,161	0	172,538,337,802
Fixed rate treasury bonds	102,344,856,289	12,601,416,580	997,088,824,871	1,112,035,097,740
Semi-annual FLT Treasury bond	0	0	50,000,000,000	50,000,000,000
Total	**250,623,199,930**	**36,861,410,741**	**1,047,088,824,871**	**1,334,573,435,542**

The balance of investment securities as of 31 December 2021 is restated below:

31 December 2021, before adjustment	1,454,829,978,063
Add:	
Amortization of premium on treasury bonds	16,793,519
31 December 2021, as restated	**1,454,846,771,582**

16. DUE FROM ADMINISTRATOR OF FUNDS

	Note	2022	2021
Financial Accounting Department			
Fidelity insurance		22,247,379,248	22,247,379,248
Currency insurance	a	6,000,469,223	6,000,243,191
Gold insurance		9,333,617	9,333,617
Industrial fund		2,515,220	2,515,220
Post-retirement benefit	a	2,227,370	962,370
		28,261,924,678	28,260,433,646
Provident Fund Office			
BSP Properties self-insurance fund	a	3,059,348,416	2,949,749,059
Post-retirement benefit	a	1,977,137,195	1,901,338,306

	Note	2022	2021
Directors' and officers' liability insurance fund	a	1,918,297,927	1,845,084,908
Car plan fund		1,246,825,228	1,246,825,228
Provident fund	b	468,167,427	316,065,937
		8,669,776,193	8,259,063,438
Total		**36,931,700,871**	**36,519,497,084**

a. The increase in CY 2022 represents income from managed fund aggregating PHP263.029 million, net of utilization amounting to PHP2.926 million.

b. The increase pertains to the transfer of statutory salary deductions and taxes withheld for December 2022 to the PFO.

17. ACQUIRED ASSETS HELD FOR SALE

	2022	2021 (as restated)
Acquired assets held for sale	1,479,852,215	1,528,871,251
Allowance for market decline	(14,277,674)	(106,284,432)
Net	**1,465,574,541**	**1,422,586,819**

	TCTs	Book Value
Acquired assets held for sale, 31 December 2021, before adjustments	3,026	1,528,572,484
Effect of restatement of prior period adjustments:		
Add:		
Capitalization of foreclosure expenses	0	298,767
Acquired assets held for sale, 31 December 2021, as restated	3,026	**1,528,871,251**

Movement of acquired assets held for sale for the year 2022:

	TCTs	Book Value
Balance, 01 January 2022	4,705	1,528,871,251
Additions:		
Transfer from investment property	5,114	986,960,564
Net reclassification/adjustments	9	5,981,461
	5,123	992,942,025
Deductions:		
Sale/negotiation	3,096	406,017,226
Revert to investment property	1,867	635,943,835
	4,963	1,041,961,061
Balance, 31 December 2022	**4,865**	**1,479,852,215**

18. INVESTMENT PROPERTY

	2022	2021 (as restated)
Investment property	10,528,157,370	10,384,784,396
Allowance for market decline	(327,665,708)	(248,545,133)
Net	**10,200,491,662**	**10,136,239,263**

	TCTs	Book Value
Investment property, 31 December 2021, before adjustments	11,946	10,381,441,145
Add:		
Effect of restatement of prior period adjustments:		
Capitalization of foreclosure expenses	0	3,343,251
Investment property, 31 December 2021, as restated	**11,946**	**10,384,784,396**

Movement of investment property for the year 2022:

	TCTs	Book Value
Balance, 01 January 2022	18,768	10,384,784,396
Additions:		
Reverted from acquired assets	1,867	635,943,835
Foreclosure	87	40,517,288
Reclassification/adjustments	10	16,042,354
Dacion en pago	3	445,746,611
	1,967	1,138,250,088
Deductions:		
Transferred to acquired assets	5,114	986,960,564
Sale/negotiation	6	1,673,020.00
Reclassification/adjustment	13	6,243,530
	5,133	994,877,114
Balance, 31 December 2022	**15,602**	**10,528,157,370**

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

	Land and Building	Property improvement	Computer Hardware	Plant and Equipment	In-transit Items	In progress/ under construction items	Total
Cost							
01 January 2022, as restated	15,017,270,857	7,278,275,261	1,496,511,691	15,865,219,088	334,653,414	1,915,703,504	41,907,633,815
Additions	378,450,055	212,056,986	189,584,536	327,185,165	78,034,549	286,514,997	1,471,826,288
Disposals	0	(820,300)	(66,020,655)	(73,444,016)	0	0	(140,284,971)
Reclassification	0	80,274,262	(96,853,527)	(103,690,802)	(93,833,417)	(392,138,516)	(606,242,000)
Adjustments	0	0	74,480	(1,837,928)	0	0	(1,763,448)
31 December 2022	**15,395,720,912**	**7,569,786,209**	**1,523,296,525**	**16,013,431,507**	**318,854,546**	**1,810,079,985**	**42,631,169,684**
Accumulated Depreciation							
01 January 2022, as restated	(4,366,215,263)	(5,031,071,897)	(1,134,432,719)	(9,141,913,260)	0	0	(19,673,633,139)
Depreciation	(245,109,764)	(295,738,134)	(141,446,531)	(1,196,918,017)	0	0	(1,879,212,446)
Disposals	0	78,525	59,514,855	67,716,748	0	0	127,310,128
Reclassification	0	21,000	38,092,571	38,806,352	0	0	76,919,923
Adjustments	0	(8,531,883)	0	5,140,267	0	0	(3,391,616)
31 December 2022	**(4,611,325,027)**	**(5,335,242,389)**	**(1,178,271,824)**	**(10,227,167,910)**	**0**	**0**	**(21,352,007,150)**
Net book value, 31 December 2022	**10,784,395,885**	**2,234,543,820**	**345,024,701**	**5,786,263,597**	**318,854,546**	**1,810,079,985**	**21,279,162,534**
Net book value, 31 December 2021, as restated	**10,651,055,594**	**2,247,203,364**	**362,078,972**	**6,723,305,828**	**334,653,414**	**1,915,703,504**	**22,234,000,676**

The BPFFE costs and accumulated depreciation balances as at 31 December 2021 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 2021, before adjustments	**15,017,270,857**	**7,254,440,006**	**1,748,887,235**	**16,469,222,528**	**334,653,414**	**1,936,955,413**	**42,761,429,453**
Add/(deduct):							
Effect of restatement of prior period adjustments							
Reclassification to/from BPFFE, other assets & expense account	0	23,839,355	(250,797,357)	(603,559,022)	0	(21,251,909)	(851,768,933)
Non/(de)-recognition of property acquired, disposed/donated	0	(4,100)	(1,578,187)	(444,418)	0	0	(2,026,705)
	0	23,835,255	(252,375,544)	(604,003,440)	0	(21,251,909)	(853,795,638)

31 December 2021, as restated	**15,017,270,857**	**7,278,275,261**	**1,496,511,691**	**15,865,219,088**	**334,653,414**	**1,915,703,504**	**41,907,633,815**
<u>Accumulated Depreciation</u>							
31 December 2021, before adjustments	**(4,366,215,263)**	**(5,027,700,864)**	**(1,261,841,690)**	**(9,615,071,537)**	0	0	**(20,270,829,354)**
Add/(deduct):							
Effect of restatement of prior period adjustments							
Reclassification to/from BPFFE, other assets & expense account	0	(3,371,033)	126,092,396	473,158,277	0	0	595,879,640
Non/(de)-recognition of property acquired, disposed/donated	0	0	1,316,575	0	0	0	1,316,575
	0	(3,371,033)	127,408,971	473,158,277	0	0	597,196,215
31 December 2021, as restated	**(4,366,215,263)**	**(5,031,071,897)**	**(1,134,432,719)**	**(9,141,913,260)**	0	0	**(19,673,633,139)**
Net book value, 31 December 2021, as restated	**10,651,055,594**	**2,247,203,364**	**362,078,972**	**6,723,305,828**	**334,653,414**	**1,915,703,504**	**22,234,000,676**

The Fort San Pedro property in 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 through the DOF on how to settle the issue.

20. INTANGIBLES

	CSAS	CSAS in process	Total
<u>Cost</u>			
01 January 2022	2,926,845,118	458,205,828	3,385,050,946
Additions	83,040,322	172,858,936	255,899,258
Disposals/Retirement	(1,432,233,810)	0	(1,432,233,810)
Reclassification	21,956,819	(6,666,821)	15,289,998
Adjustments	15,999,999	0	15,999,999
31 December 2022	**1,615,608,448**	**624,397,943**	**2,240,006,391**
<u>Accumulated amortization</u>			
01 January 2022, as restated	(2,587,140,111)		(2,587,140,111)
Amortization - CY 2022	(109,803,424)		(109,803,424)
Disposals/Retirement	1,432,233,810		1,432,233,810
Reclassifications	(3,120,891)		(3,120,891)
Adjustments	(261,508)		(261,508)
31 December 2022	**(1,268,092,124)**	**0**	**(1,268,092,124)**
Net book value, 31 December 2022	**347,516,324**	**624,397,943**	**971,914,267**
Net book value, 31 December 2021, as restated	**339,705,007**	**458,205,828**	**797,910,835**

The accumulated amortization balances as of 31 December 2021 are restated as shown below:

Accumulated amortization	
31 December 2021, before adjustments	(2,587,140,112)
Add:	
Adjustment of amortization of CSAS project completed in 2021	1
31 December 2021, as restated	**(2,587,140,111)**

21. INVENTORIES

	Note	2022	2021
SPC inventories	a	15,843,749,805	18,599,125,607
Gold for refining	b	7,554,583,062	9,521,239,618
Work-in-process	c	1,123,684,034	1,078,741,197
Currency inventory	d	353,551,139	368,765,992
Gold for domestic sale		34,424,531	34,424,531
Silver for refining	b	4,177,482	4,452,418
Silver for domestic sale		388,052	388,052
Total		**24,914,558,105**	**29,607,137,415**

a. The plant inventories diminished due to the sale of high value documents, commemorative coins and medals, deliveries of finished goods (currency bills and coins) to CPID, and lesser purchases of raw materials in 2022.

b. Gold for refining and Silver for refining decreased due to the decline in the gold purchases from Regional Gold Buying Stations, particularly from North Luzon Regional Office, for the months of April, May, June, September, and October 2022.

c. Work in Process rose due to high production of gold in 2022.

d. The decline in currency inventory was attributed to the low economic activity due to COVID-19 pandemic which effectively resulted to the decline of banks' currency withdrawals.

22. MISCELLANEOUS ASSETS

	Note	2022	2021 (as restated)
Creditable tax certificates	a	2,121,169,632	2,121,169,632
Paintings and sculptures	b	1,544,885,499	132,120,282
Prepaid expenses	c	627,964,446	532,211,291
Other supplies		619,926,614	736,140,833
Stocks and other securities	d	501,676,585	501,689,780
Semi-expendable property		67,290,781	855,103
Deposits - utilities and services		53,654,399	52,881,377
Assets for disposal		51,704,195	50,085,357
Deferred charges	e	46,299,200	61,732,267
Numismatic collections on hand		21,799,523	21,799,523
Due from DPWH		15,000,000	15,000,000
Miscellaneous assets		12,907,473	15,000,454
Input tax		11,405,280	6,078,510
Withholding tax at source		11,257,753	10,042,708
Due from PICC	f	8,681,000	9,201,597
Commemorative notes and coins		689,784	862,895
Land under usufruct	g	82,275	82,275

	Note	2022	2021 (as restated)
Items for exhibit		75,002	75,002
Checks and other cash items		32,190	11,270
Demonetized commemorative coins		54	54
Total		**5,716,501,685**	**4,267,040,210**

	Balance, 31 December 2021 before adjustments	Adjustments	Balance, 31 December 2021 as restated
Prepaid expenses	**532,061,291**	**150,000**	**532,211,291**
- Adjustment on prepayments relative to telecommunication services, periodicals and news services		150,000	
Other supplies	**736,201,722**	**(60,889)**	**736,140,833**
- Utilization of medical-dental supplies in-stock		(60,889)	
Asset for disposal	**50,397,155**	**(311,798)**	**50,085,357**
- Recognition/reclassification of various tangible asset to semi-expendable properties		(311,798)	
Miscellaneous assets	**15,004,079**	**(3,625)**	**15,000,454**
- Reversal of miscellaneous assets - capitalizable foreclosure expenses to correct account balance		(3,625)	
Semi-expendable property	**3,522,032**	**(2,666,929)**	**855,103**
- Recognition/reclassification of various tangible asset to semi-expendable properties		(2,666,929)	
Painting and sculptures	**131,954,163**	**166,119**	**132,120,282**
- Receipt of asset		166,119	
Items for exhibit	**862,381**	**(787,379)**	**75,002**
- Derecognition of asset		(787,379)	

a. The account refers to tax credit certificate (TCC) issued by the BIR on 26 October 2021 in view of the BSP's tax exemption under Section 125 of RA No. 7653, as amended by RA No. 11211, and 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 the then Cash Department 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.

b. The increase in paintings and sculptures is mainly due to the acquisition of eight hundred forty-three (843) pieces of artwork collection of the UCPB amounting to PHP1.400 billion during the year.

c. The account includes taxes withheld from purchases of short-term government securities which are later recognized as expense upon maturity.

d. Stocks and other securities composed of the following:

Particulars	Amount
PICCI investments	501,073,888
Proprietary membership share	601,000
Telephone companies' stocks	1,697
Total	**501,676,585**

e. This represents the unamortized portion of the advance fixed lease for the 4th and 5th year paid by the BSP for the lease of the 313,171-square meter parcel of land of the Bases Conversion and Development Authority (BCDA) relative to BSP Complex at the NCC Project.

f. This pertains to the approved budget of the PICCI for capital expenditures (CAPEX) subject to liquidation to the BSP of the actual disbursements made.

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

23. SHORT-TERM FOREIGN CURRENCY DEPOSITS

	Note	2022	2021
National Government	a	86,450,571,850	142,359,141,901
Other entities	b	2,790,750,000	8,096,481,794
		89,241,321,850	150,455,623,695
Accrued interest		66,217,470	6,858,413
Total		**89,307,539,320**	**150,462,482,108**

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:

	2022	2021
National Government		
TOP-Time Deposits	86,450,571,850	41,085,044,000
TOP-Special Accounts	0	101,274,097,901
Total	**86,450,571,850**	**142,359,141,901**

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:

	Note	2022	2021
Other Entities			
Financial Institutions			
Time Deposits			
- Bank of America NT & S.A. Manila		2,790,750,000	3,058,440,000
Foreign Securities Purchased under Agreement to Resell			
- Bank of America NT & S.A. Manila		0	1,529,220,000
- Maybank Philippines, Inc.		0	1,529,220,000
- Sumitomo Mitsui Banking Corporation		0	1,977,791,200
		0	5,036,231,200
GOCCs			
- North Luzon Railways Corporation (NLRC)	b.1	0	1,795,571
- Metropolitan Waterworks and Sewerage System (MWSS)	b.1	0	15,023
		0	1,810,594
Total		**2,790,750,000**	**8,096,481,794**

b.1 The foreign currency deposit account of the MWSS and NLRC were closed effective 14 April 2022 and 08 June 2022, respectively, as the purpose of the said accounts have already been fulfilled.

24. BONDS PAYABLE

	Note	2022	2021
Bonds due 2027	a	22,326,000,000	20,389,600,000
Bonds due 2097		5,581,500,000	5,097,400,000
		27,907,500,000	25,487,000,000
Discount on bonds		(89,404,053)	(86,044,411)
		27,818,095,947	25,400,955,589
Accrued interest		100,001,875	91,328,417
Total		**27,918,097,822**	**25,492,284,006**

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.

25. ALLOCATION OF SPECIAL DRAWING RIGHTS

	2022	2021
Allocation of SDRs	208,453,340,007	199,473,653,835
Accrued interest	956,926,571	18,247,822
Total	**209,410,266,578**	**199,491,901,657**

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.

The increase in the Allocation of SDR is congruent with the increase in Holdings of SDR, which mainly resulted from the IMF's approval of a general allocation of SDRs equivalent to USD650.000 billion (about SDR458.000 billion), of which the Philippines' share is USD2.773 billion (SDR1.958 billion, or equivalent to about PHP140.000 billion) effective 23 August 2021.

26. OTHER LIABILITIES

	2022	2021 (as restated)
Foreign currency financial liabilities		
Accounts payable	2,161,853,974	1,796,650,535
Accrued expenses	851,784,719	447,989,838
Other financial liabilities	1,255,139,922	2,082,228,969
Total	**4,268,778,615**	**4,326,869,342**
Local currency non-financial liabilities		
Retirement benefits obligation	5,700,721,235	4,854,390,825
Deferred tax liability	8,331,426	8,332,097
Miscellaneous liabilities	29,426,014,509	31,750,925,414
Accounts Payable	3,871,043,047	3,995,036,531

Taxes payable	3,423,063,710	2,141,178,441
Accrued expenses	63,724,734	59,590,305
Other local currency liabilities	22,068,183,018	25,555,120,137
Total	**35,135,067,170**	**36,613,648,336**

	Balance, 31 December 2021 before adjustments	Adjustments	Balance, 31 December 2021 as restated
Foreign currency financial liabilities			
Accrued expenses	**451,847,787**	**(3,857,949)**	**447,989,838**
- Payment of various expenses incurred in 2021		3,921,219	
- Over-accrual and over-payment of custodian and management fees		(7,779,168)	
Local currency non-financial liabilities			
Miscellaneous liabilities			
Accounts payable	**3,432,322,552**	**562,713,979**	**3,995,036,531**
- Payment/adjustment of prior year's expenses (personal, travel and other services)		563,451,467	
- Reapplication/adjustment of loan		35,910,192	
- Liquidation of prior year's cash advance		78,517	
- Over-accrual of janitorial services, repairs and maintenance, special supplies, external professional services and overtime claims		(7,869,239)	
- Application/adjustment of payments/late booking of sale of acquired assets		(28,856,958)	
Taxes payable	**2,116,588,624**	**24,589,817**	**2,141,178,441**
- Payment of prior year's expenses (personal, travel and other services)		33,534,959	
- Adjustment of income tax expense for the year 2021		(8,945,142)	
Other local currency liabilities	**25,558,827,605**	**(3,707,468)**	**25,555,120,137**
Deferred income			
- Reapplication/adjustment of loan payment		(1,286,273)	
- Amortization of premium of bonds receivable and accrual of interest income.		(1,591,196)	
Unrealized profit on assets sold			
- Collection of prior year's income on sale of acquired assets		(780,369)	
Unearned interest income			
- Collection of prior year's income on sale of acquired assets		(204)	
Reserve Fund for Stale Checks			
- Closure of invalidated check		(1,250)	
Deposit from leased properties			
- Adjustment of rental payments		(48,176)	

27. DEPOSITS

	Note	2022	2021
Government deposits	**a**		
Short-term		336,376,387,603	762,885,845,526
Accrued interest		8,923,720,606	4,724,245,774
Total		**345,300,108,209**	**767,610,091,300**
Demand Deposits			
Banks/NBQBs-reserve deposits	b	1,293,527,956,841	1,392,325,981,279
Secured settlement account		149,584,413,665	30,449,299,499
Others		30,626,242,352	30,653,874,147
Total		**1,473,738,612,858**	**1,453,429,154,925**

	Note	2022	2021
IMF and other financial institutions			
Due to IMF	c	100,157,863,033	96,932,152,964
International financial institutions		99,992,874	169,330,563
Due to other foreign banks		2,391,323	2,391,323
Total		**100,260,247,230**	**97,103,874,850**

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

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 SDR1.299 billion as of 31 December 2022.

The balance of IMF's security holdings (SDR89.943 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 2022, the Peso depreciated by PHP0.629 against the SDR, from the peso/SDR exchange rate of PHP69.487/SDR as at 30 April 2021 to PHP70.116/SDR as at 30 April 2022. The peso depreciation resulted in a revaluation loss of PHP0.123 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 loss as addition to its receivable from NG under the “Accounts Receivable-TOP” account.

As of 31 December 2022, the IMF Summary Statement of Position shows that the total IMF currency holdings aggregated to PHP106.756 billion consisting of the balances of “Account Nos. 1 and 2 of PHP95.326 billion, security holdings of PHP6.599 billion and accrued revaluation loss of PHP4.831 billion (covering the period May 2022 to December 2022). This valuation adjustment was booked as of 31 December 2022.

28. BILLS PAYABLE

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

	2022	2021
BSP securities	480,000,000,000	260,000,000,000
Discount on bills payable - domestic	(1,145,260,574)	(140,421,093)
Total	**478,854,739,426**	**259,859,578,907**

29. CURRENCY IN CIRCULATION

	2022	2021 (as restated)
Currency notes issued	2,683,840,980,430	2,640,723,951,050
Cash on hand - notes	(411,638,485,490)	(519,293,097,180)
Net notes in circulation	**2,272,202,494,940**	**2,121,430,853,870**
Currency coins issued	66,809,367,160	59,760,601,761
Cash on hand - coins	(1,594,734,806)	(5,317,523,412)
Net coins in circulation	**65,214,632,354**	**54,443,078,349**
Currency in circulation, 31 December	**2,337,417,127,294**	**2,175,873,932,219**

	Currency notes issued
Currency issued	
Balances, 31 December 2021, before adjustments	**2,640,723,952,050**
Deduct:	
- Mutilated currency	(1,000)
Balances, 31 December 2021, as restated	**2,640,723,951,050**

Inventory of Currency Issued

	January 1 2022	Requisitions from CID	Retirement	December 31 2022
Currency issued				
Notes	2,640,723,951,050	781,017,841,500	(737,900,812,120)	2,683,840,980,430
Coins	59,760,601,761	7,089,291,481	(40,526,082)	66,809,367,160
	2,700,484,552,811	788,107,132,981	**(737,941,338,202)**	**2,750,650,347,590**
Cash on hand				
Notes				411,638,485,490
Coins				1,594,734,806
Total Held in CIPD and RO				413,233,220,296
Total currency in circulation				**2,337,417,127,294**

Details of currency in circulation are as follows:

	Denomination	Quantity (No. of Pcs) 2022	Quantity (No. of Pcs) 2021 (as restated)	Amount 2022	Amount 2021 (as restated)
Notes	1,000	1,800,727,120	1,654,057,540	1,800,727,120,000	1,654,057,540,000
	500	594,054,053	602,648,642	297,027,026,500	301,324,321,000
	200	44,866,450	44,249,118	8,973,290,000	8,849,823,600
	100	1,096,865,155	1,010,657,009	109,686,515,500	101,065,700,900
	50	811,146,042	752,261,911	40,557,302,100	37,613,095,550
	20	760,730,542	925,204,891	15,214,610,840	18,504,097,820
				2,272,185,864,940	2,121,414,578,870
Commemorative Notes		3,326	3,255	16,630,000	16,275,000
				2,272,202,494,940	2,121,430,853,870
	20 –Piso	628,506,104	257,743,301	12,570,122,080	5,154,866,020
Coins	10 – Piso	1,412,137,079	1,297,795,702	14,121,370,790	12,977,957,020
	5 - Piso	4,421,336,064	4,111,571,670	22,106,680,320	20,557,858,350
	1 - Piso	12,585,197,477	12,047,932,245	12,585,197,477	12,047,932,245
	25 - Sentimo	12,150,932,039	11,679,058,986	3,037,733,010	2,919,764,746
	10 - Sentimo	3,791,567,892	3,792,018,981	379,156,789	379,201,898
	5 - Sentimo	3,605,966,391	3,512,655,003	180,298,319	175,632,750
	1 - Sentimo	81,260,675	77,571,364	812,607	775,714
				64,981,371,392	54,213,988,743
Commemorative coins		994,924	972,053	233,260,962	229,089,606
				65,214,632,354	54,443,078,349
Total currency in circulation, 31 December				**2,337,417,127,294**	**2,175,873,932,219**

The details of currency in circulation as at 31 December 2021 are restated as follows:

	Denomination	Quantity (No. of Pcs) 2021 (before restatement)	Quantity Adjustment	Quantity 2021 (as restated)	Amount 2021 (before restatement)	Amount Adjustment	Amount 2021 (as restated)
Notes	1,000	1,654,057,541	(1)	1,654,057,540	1,654,057,541,000	(1,000)	1,654,057,540,000
	500	602,648,642		602,648,642	301,324,321,000		301,324,321,000
	200	44,249,118		44,249,118	8,849,823,600		8,849,823,600
	100	1,010,657,009		1,010,657,009	101,065,700,900		101,065,700,900
	50	752,261,911		752,261,911	37,613,095,550		37,613,095,550
	20	925,204,891		925,204,891	18,504,097,820		18,504,097,820
					2,121,414,579,870	(1,000)	2,121,414,578,870
Commemorative notes		3,255			16,275,000		16,275,000
					2,121,430,854,870	(1,000)	2,121,430,853,870
Coins	20 – Piso	257,743,301		257,743,301	5,154,866,020		5,154,866,020.00
	10 – Piso	1,297,795,702		1,297,795,702	12,977,957,020		12,977,957,020.00
	5 – Piso	4,111,571,670		4,111,571,670	20,557,858,350		20,557,858,350.00
	1 – Piso	12,047,932,245		12,047,932,245	12,047,932,245		12,047,932,245.00
	25 – Sentimo	11,679,058,986		11,679,058,986	2,919,764,746		2,919,764,746
	10 – Sentimo	3,792,018,981		3,792,018,981	379,201,898		379,201,898
	5 – Sentimo	3,512,655,003		3,512,655,003	175,632,750		175,632,750
	1 – Sentimo	77,571,364		77,571,364	775,714		775,714
					54,213,988,743		54,213,988,743
Commemorative coins		972,053		972,053	229,089,606		229,089,606
					54,443,078,349		54,443,078,349
Total currency in circulation, 31 December, as restated					**2,175,873,933,219**	**(1,000)**	**2,175,873,932,219**

30. REVALUATION OF FOREIGN CURRENCY ACCOUNTS

	2022	2021
Unrealized gains on FX rate fluctuations		
Beginning balance, January 1	422,164,668,873	156,001,207,749
Add:		
Unrealized gains for the year (net of realized transactions)	370,383,844,023	266,163,461,124
Ending balance, December 31	792,548,512,896	422,164,668,873
Unrealized gains/(losses) on price fluctuations		
Beginning balance, January 1	195,150,706,108	322,423,029,177
Deduct:		
Unrealized losses for the year (net of realized transactions)	(298,426,442,632)	(127,115,997,684)
Impairment loss	(27,771,088)	(156,325,385)
Ending balance, December 31	(103,303,507,612)	195,150,706,108
Unrealized gains on FX rate and price fluctuations, December 31	**689,245,005,284**	**617,315,374,981**

31. CAPITAL ACCOUNTS

	Note	2022	2021 (as restated)
Capital	a	60,000,000,000	50,000,000,000
Surplus	b	84,833,903,736	38,433,693,006
Unrealized losses on investments in			
Government securities		(174,484,899,691)	(72,380,267,458)
Stocks and other securities		(7,803)	(7,803)
	c	(174,484,907,494)	(72,380,275,261)
Capital Reserves	d	140,673,173,049	119,341,894,331
Managed Funds			
Fidelity insurance fund		27,466,432,373	22,247,379,248
Currency insurance fund		6,000,469,223	6,000,243,191
BSP Properties self-insurance fund		3,059,348,416	2,949,749,059
Retirement benefit fund		1,979,364,565	1,902,300,676
Directors'/officers' liability		1,918,297,927	1,845,084,908
		40,423,912,504	34,944,757,082
Other Fund			
Fluctuations in price of gold		42,726,789,388	42,582,587,455
BSP Complex- New Clark City Project	e	25,272,401,000	25,272,401,000
Fluctuations in FX rate	f	26,568,597,219	10,860,675,856
Contingencies		3,644,871,739	3,644,871,739
Property insurance		1,600,000,000	1,600,000,000
SPC rehabilitation		386,578,353	386,578,353
Cultural properties acquisition fund		40,689,229	40,689,229
Gold insurance fund		9,333,617	9,333,617
		100,249,260,545	84,397,137,249
Total		**111,022,169,291**	**135,395,312,076**

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.

On 21 December 2022, the BSP recorded the additional capital of PHP10.000 billion received from the NG pursuant to Section 2 of the amended BSP Charter.

b. In accordance with PAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," the Surplus/(deficit) for CY 2021 is restated as follows:

Surplus, 1 January 2021	23,637,574,320
Deduct:	
Adjustments to Surplus	
Effect of prior period adjustments to income and expense	(80,905,958)
Effect of CY 2021 transactions	(19,099,728,151)
Total adjustments to Surplus	(19,180,634,109)
Balance at 31 December 2021 before net income	4,456,940,211
Net income for the period, before adjustments	34,721,319,079
Deduct:	
Effect of CY 2021 adjustments to income and expense	(744,566,284)
Net income for the period, as restated	33,976,752,795
Surplus, 31 December 2021, as restated	**38,433,693,006**

The details of restated prior period adjustments on income and expenses and transactions for CY 2021 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:

	2022	2021
Beginning balance	(72,380,275,261)	14,270,574,905
Effect of marking to market of investments in government securities, stocks and other securities	(102,104,632,233)	(86,650,850,166)
Ending balance	**(174,484,907,494)**	**(72,380,275,261)**

d. The BSP booked the income earned on invested managed funds for the year 2022 aggregating PHP263.029 million, net of utilization amounting to PHP2.926 million.

e. The amount set aside to fund the BSP Complex NCC Project until its completion.

f. This pertains to provisions for financial market accounts particularly the FX rate fluctuations.

32. INTEREST INCOME AND INTEREST EXPENSES

	2022	2021 (as restated)
Interest income from financial assets		
Interest income from foreign currency financial assets		
Foreign investment	83,924,377,046	63,550,313,490
Other foreign currency receivables	9,930,109,810	8,434,438,390
FS Purchased w/ Agreement to Resell	6,597,533,291	64,932,192
Deposits with foreign banks	3,473,859,884	664,634,688
IMF SDR	2,525,105,954	59,128,948
Gold Deposits	97,093,588	17,875,433
Cash Collateral Paid	6,223,934	29,969
Due from/(to) broker	2,109,027	0
	106,556,412,534	72,791,353,110
Interest income from local currency financial assets		
Government securities	45,372,633,123	41,181,709,760
Loans and advances	869,768,643	1,204,005,905
Other receivables	394,462,288	287,774,474
Overnight lending account	9,120,257	258,680
	46,645,984,311	42,673,748,819
Total	**153,202,396,845**	**115,465,101,929**

	Balance, 31 December 2021 before adjustments	Adjustments	Balance, 31 December 2021, as restated
Interest income from foreign currency financial assets			
Foreign investment	**63,550,313,489**	**1**	**63,550,313,490**
- Adjustment of interest income		1	
Interest income from local currency financial assets			
Government securities	**41,164,916,241**	**16,793,519**	**41,181,709,760**
- Amortization of bonds receivable		16,793,519	
Loans and advances	**1,204,008,718**	**(2,813)**	**1,204,005,905**
- Expenses incurred capitalized to foreclosed investment property		(2,813)	
Other receivables	**286,276,875**	**1,497,599**	**287,774,474**
- Adjustment on sale/application of payment of acquired assets		2,957,795	
- Adjustment of Accrued interest Receivable		(1,460,951)	
- Adjustment of interest income		755	

	2022	2021
Interest expense from financial liabilities		
Interest expense on foreign currency financial liabilities		
Bonds payable	2,943,480,542	2,643,486,511
Allocation of IMF SDR	2,502,842,935	58,033,331
Short term deposits	1,554,796,331	78,404,802
Cash collateral received	10,766,616	25,581
	7,011,886,424	2,779,950,225

	2022	2021
Interest expense on local currency financial liabilities		
Government deposits	30,524,063,932	21,461,406,545
Term deposit account	15,050,999,690	15,309,646,149
Bills payable	15,095,867,443	6,707,656,731
Securities sold under agreements to repurchase	9,467,708,333	6,181,363,562
Overnight Deposit Account	8,479,347,166	7,890,441,333
Deposits of banks and other financial institutions	4,233,270	8,765,232
	78,622,219,834	57,559,279,552
Total	**85,634,106,258**	**60,339,229,777**

33. OTHER INCOME

	2022	2021 (as restated)
Printing, minting and refinery	120,714,516	562,125,872
Fees – local		
Banking supervision/clearing/license fees	7,379,277,840	6,825,225,833
Penalties and late charges	761,269,767	894,017,421
Processing and filing fees	38,310,667	101,409,000
Others	412,974,601	334,858,229
	8,591,832,875	8,155,510,483
Other income		
Income on acquired assets	740,283,306	984,823,474
Rental on building and facilities	321,967,415	153,374,956
Rental on acquired assets	1,800,657	2,178,107
Other miscellaneous income	4,074,442,519	5,646,404,612
	5,138,493,897	6,786,781,149
Other operating income	**13,851,041,288**	**15,504,417,504**

	Balance, 31 December 2021 before adjustments	Adjustments	Balance, 31 December 2021 as restated
Fees - Local			
Banking supervision/clearing/license fees	**6,825,168,333**	**57,500**	**6,825,225,833**
- Under booking of banking fees		57,500	
Penalties and late charges	**867,491,220**	**26,526,201**	**894,017,421**
- Collection of prior year's income from penalties (i.e., late deliveries, reporting, payments, and others)		24,112,252	
- Reapplication/ adjustment of payments (i.e., loan, rental, acquired asset, penalties, supervisory fees, and others)		2,413,949	
Processing and filing fees	**101,229,000**	**180,000**	**101,409,000**
- Collection of prior year's income from processing and filing fees		180,000	
Others	**334,913,719**	**(55,490)**	**334,858,229**
- Over booking of handling fees		(55,490)	
Other Income			
Income on acquired assets	**974,247,043**	**10,576,431**	**984,823,474**
- Late booking of sale of acquired assets		9,779,355	
- Reapplication/ adjustment of payments (i.e., loan, rental, acquired asset, penalties, supervisory fees, and others)		797,076	

Rental on acquired assets	**1,404,729**	**773,378**	**2,178,107**
- Adjustment on application of rental payments		773,378	
Other miscellaneous income	**5,640,993,611**	**5,411,001**	**5,646,404,612**
- Collection of prior year's income (i.e., sale of acquired asset, property self-insurance, vault rental and other charges)		3,831,959	
- Reapplication/adjustment of payments/refund (i.e., loan, rental, acquired asset, bid documents, disallowances, and others)		1,579,042	

34. IMPAIRMENT ON FINANCIAL ACCOUNTS

	2022	2021
Impairment on foreign currency financial accounts		
Due from foreign banks	1,927,333	4,200,713
FS purchased under agreement to resell	416	306,804
Foreign investment	0	1,211,319
	1,927,749	**5,718,836**
Impairment on local currency financial accounts		
Notes receivable	61,089,809	0
Lease receivable	7,162,012	23,069
Loans and advances	4,119,995	3,750,169,671
Accounts receivable	1,508,765	7,033,578
	73,880,581	**3,757,226,318**
Total	**75,808,330**	**3,762,945,154**

35. CURRENCY PRINTING AND MINTING COST

	2022	2021
Notes	8,201,621,103	8,023,930,976
Coins	3,909,271,322	3,486,277,754
Total	**12,110,892,425**	**11,510,208,730**

36. OPERATING EXPENSES

	Note	2022	2021 (restated)
Personnel services, development and training	a	27,916,712,453	23,372,536,074
Administrative expenses	b	16,109,458,663	8,418,663,859
Depreciation/amortization	c	1,016,274,773	975,878,702
Provision for market decline		205,418,625	12,831,875
Total		**45,247,864,514**	**32,779,910,510**

a. PERSONNEL SERVICES

	2022	2021 (as restated)
Salaries and wages	18,872,745,831	16,164,954,452
Defined contribution plans	4,058,200,540	3,854,210,622
Post-retirement benefits	3,552,262,424	2,030,965,639
Social security contribution	906,152,269	838,144,739
Sickness and death benefits	397,208,361	386,930,707
Personnel development and training	128,318,420	96,134,058
Medical and dental benefits	1,824,608	1,195,857

	2022	2021 (as restated)
Total	**27,916,712,453**	**23,372,536,074**

The following personnel services account balances for the year ended 31 December 2021 are restated as follows:

	Balance, 31 December 2021 before adjustments	Adjustments	Balance, 31 December 2021, as restated
Salaries and wages	16,111,064,068	53,890,384	16,164,954,452
Defined contribution plans	3,854,904,778	(694,156)	3,854,210,622
Social security contribution	838,294,734	(149,995)	838,144,739
Sickness and death benefits	377,556,609	9,374,098	386,930,707
Personnel development and training	76,955,171	19,178,887	96,134,058
Medical and dental benefits	1,195,009	848	1,195,857
Total	**21,259,970,369**	**81,600,066**	**21,341,570,435**

b. ADMINISTRATIVE EXPENSES

	Note	2022	2021 (restated)
Fidelity and property insurance	b.1	5,340,344,702	87,017,711
Taxes and licenses	b.2	1,103,088,436	4,593,811,838
Repairs and maintenance		870,962,013	1,155,123,903
Communication services		425,685,234	410,925,503
Currency and gold operations expenses		323,137,164	257,457,140
Water, illumination and power services		317,736,464	259,029,135
Consultants and specialist services		224,016,060	307,664,615
Travelling expenses		211,304,480	64,466,894
Acquired asset expenses	b.4	118,803,149	140,368,201
Grants, subsidies and contributions		115,444,441	99,414,926
Rentals	b.3	108,533,632	126,753,942
Supplies and materials		78,569,263	68,680,671
Auditing services		49,390,654	55,222,462
Conference, workshop and convention expenses		33,408,055	13,178,642
Ammunitions		14,345,442	3,638,908
Discretionary expenses		6,283,584	4,962,137
Others	b.5	6,768,405,890	770,947,231
Total		**16,109,458,663**	**8,418,663,859**

The following administrative expense account balances for the year ended 31 December 2021 are restated as follows:

	Balance, 31 December 2021 before adjustments	Adjustments	Balance, 31 December 2021 as restated
Taxes and licenses	4,593,568,158	243,680	4,593,811,838
Repairs and maintenance	886,171,168	268,952,735	1,155,123,903
Communication services	380,062,869	30,862,634	410,925,503
Currency and gold operations expenses	246,264,063	11,193,077	257,457,140
Water, illumination and power services	245,703,983	13,325,152	259,029,135
Consultants and specialist services	243,743,855	63,920,760	307,664,615

	Balance, 31 December 2021 before adjustments	Adjustments	Balance, 31 December 2021 as restated
Grants, subsidies and contributions	99,361,950	52,976	99,414,926
Rentals	99,335,587	27,418,355	126,753,942
Fidelity and property insurance	87,017,246	465	87,017,711
Acquired asset expenses	76,483,429	63,884,772	140,368,201
Travelling expenses	58,919,253	5,547,641	64,466,894
Supplies and materials	57,455,974	11,224,697	68,680,671
Auditing services	54,607,860	614,602	55,222,462
Conference, workshop and convention expenses	11,501,531	1,677,111	13,178,642
Discretionary expenses	4,101,636	860,501	4,962,137
Others	511,794,997	259,152,234	770,947,231
	7,656,093,559	**758,931,392**	**8,415,024,951**

b.1 The significant increase in the account is due to additional provision of capital reserves for Fidelity Insurance Fund as approved by the MB. (see note 2.22.1).

b.2 Taxes and licenses account balances for CYs 2022 and 2021 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 34 in compliance with the guidelines and procedures of PFRS 9.

b.3 The BSP's outstanding lease contracts as of 31 December 2022 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), and 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 BSP's existing contracts are the two (2) lease agreements with the Allcard, Inc., and the contract of lease with the BCDA, as follows:

(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/Philippine Statistics Authority (PSA) personnel, and supply and delivery of raw materials, consumables, and wear-and-tear spare parts for 116 million pieces PhilID Cards – PHP2.119 billion 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 million VAT inclusive.

(3) Lease of a parcel of land located at the NCC covering an area of three hundred thirteen thousand one hundred seventy-one (313,171) square meters. The term of the lease shall commence on the effective date pursuant to Section 18 of the Contract and continue for fifty (50) years. The use of the Property is classified as Institutional Land Use. Section 2 of the Contract of Lease provides that the BSP Complex at NCC will comprise the following:

3.1 Administration building, academy, executive guest lodging facility, museum;
3.2 Security Plant Complex to include security printing facilities for currency, national identification card, land title certificate, and passports, and facilities for coin minting and gold refining;
3.3 Command and data centers, open grounds with landscape features, vehicular parking facilities, interior roadways and walkways, recreational facilities; and
3.4 Other facilities and structures to support the operations of the BSP.

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 for the following reasons:

(a) The lessor - Allcard, Inc., shall provide technical and maintenance support personnel, and shall supply raw materials, consumables and wear-and-tear spare parts, among others.

(b) As stipulated in the Contract of Lease executed between the BSP and BCDA:

b.1 The Property shall be developed and utilized only for the purposes identified in the Use of the Property provided in Section 2 of the Contract, as listed in item no. b.2 (3) above.

b.2 The BSP's Conceptual Development Plan (CDP) and Detailed Development Plan (DDP)are subject to approval of the BCDA.

b.3 BSP may propose and include changes in the design/deletion of buildings or components, additional and/or new developments and structures, including the exterior architectural plan of the buildings/structures, which are not included in the CDP and DDP, subject to the review and approval by BCDA. Additional/new developments should adhere to the list of permitted developments in the NCC to be developed by BCDA.

Foregoing considered, the BSP as a lessee, recognized the total lease payments for CY 2022 as an expense on a straight-line basis.

b.4 The acquired assets expenses consist of the following:

	2022	**2021 (as restated)**
Security services	63,776,545	90,617,947
External professional services	24,101,303	15,658,312

	2022	2021 (as restated)
Taxes and licenses	17,475,844	21,495,327
Association/condominium fees	10,063,470	9,650,521
Fidelity insurance	2,207,366	1,684,265
Repairs and maintenance	776,317	860,980
Legal fees	402,304	400,849
Total	**118,803,149**	**140,368,201**

	Balance, 31 December 2021 before adjustments	Adjustments	Balance, 31 December 2021 as restated
Security services	**34,403,716**	**56,214,231**	**90,617,947**
- Expenses incurred in 2021 but paid in 2022		56,214,231	
Taxes and licenses	**21,629,585**	**(134,258)**	**21,495,327**
- Expenses incurred in 2021 but paid in 2022		2,954,185	
- Capitalization of expenses to investment property		(2,920,225)	
- Buyer's share in property expenses		(164,222)	
- Adjustment on sale/application of payment of acquired asset		(3,996)	
External professional services	**10,666,031**	**4,992,281**	**15,658,312**
- Under recording of expenses		4,992,281	
Association/ condominium fees	**7,759,227**	**1,891,294**	**9,650,521**
- Expenses incurred in 2021 but paid in 2022		1,891,294	
Legal Expenses	**340,605**	**60,244**	**400,849**
- Expenses incurred in 2021 but paid in 2022		60,244	
Repairs and maintenance	**0**	**860,980**	**860,980**
- Expenses incurred in 2021 but paid in 2022		860,980	

b.5 The increase in "Others" is due to the condonation of interest amounting to PHP6.147 billion related to the final settlement of the BSP's loan to PDIC used as FA to UCPB.

c. DEPRECIATION/AMORTIZATION

Depreciation of BPFFE and amortization of CSAS for the year ended 31 December 2021 are restated as follows:

	Depreciation	Amortization	Total
Depreciation/amortization, 31 December 2021, before adjustments	**942,872,215**	**63,314,422**	**1,006,186,637**
Add/(deduct):			
Unrecorded depreciation/amortization	6,133,361	0	6,133,361
Over booking due to adjustment of related accounts and reclassification to/(from) BPFFE, other assets and expense	(36,441,295)	(1)	(36,441,296)
	(30,307,934)	**(1)**	**(30,307,935)**
Depreciation/amortization, 31 December 2021, as restated	**912,564,281**	**63,314,421**	**975,878,702**

37. NET INCOME FOR DISTRIBUTION

The BSP shall remit fifty percent (50%) of its net profits to the NG as dividend to be computed pursuant to RA No. 7653, as amended by RA No. 11211.

	2022	2021 (as restated)
Net income for distribution	**63,730,856,264**	**33,976,752,795**

In accordance with PAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the Net Income for CY 2021 was restated as shown in Note 31(b). The details of restated prior period adjustments on income and expenses are presented in the Statement of Changes in Equity.

38. TRUST FUNDS

Organizational Unit	Note	2022	2021
CoSS (Trust Fund Accounting System)	a	28,250,430,562	28,248,685,151
DLC – Accounting	b	2,790,173,641	2,751,420,911
FM - Domestic	c	1,865,193,507	1,923,377,257
FSS Operations Support Department	d	136,787,807	136,650,489
Total		**33,042,585,517**	**33,060,133,808**

a. This consists of BSP self-insurance funds established for retirement benefits under RA No. 1616, shipment of currency and additional fidelity insurance bond for accountabilities in excess of PHP1 billion pursuant to the BTr Treasury Circular No. 02-2019 dated 25 April 2019 and as approved per MBR No. 657 dated 18 May 2023.

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 the rehabilitation of Monte de Piedad Savings Bank.

d. This represents Rural Bank Trust Funds (RBTF) for capital assistance to rural banks.

39. CASH AND CASH EQUIVALENTS

	Note	2022	2021 (as restated)
Foreign currency assets			
Foreign investments - readily convertible to cash		2,494,526,177,870	2,416,169,315,423
Deposits with foreign banks		261,412,171,335	412,973,263,949
Other cash balances (foreign currency on hand)		55,552,907	108,674,762
Other FX receivable - due from FX banks - special account		29,648,883	27,072,084
Non-IR foreign currency on hand	a	10,200,650	9,784,043
		2,756,033,751,645	2,829,288,110,261
Local currency assets			

	Note	2022	2021 (as restated)
Government securities		1,334,573,435,542	1,454,846,771,582
Other receivables - due from local banks		10,319,013,648	519,377,513
Other receivables - revolving fund		355,075,810	256,213,048
Miscellaneous assets - checks and other cash Items		(2,588,131)	(2,609,050)
		1,345,244,936,869	1,455,619,753,093
Demand liabilities			
Deposit of banks and other financial institutions		(2,609,006,343,851)	(2,892,817,513,530)
Government demand deposits		(304,847,770,127)	(731,357,228,051)
		(2,913,854,113,978)	(3,624,174,741,581)
Cash and cash equivalents, 31 December		**1,187,424,574,536**	**660,733,121,773**

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

40. RECONCILIATION OF OPERATING CASH FLOW WITH REPORTED NET INCOME

	2022	2021 (as restated)
Reported operating surplus	63,730,856,264	33,976,752,795
Operating cash flows from changes in asset and liability balances	76,897,689,289	(846,587,102,001)
Add/(deduct) non-cash items		
Provision for capital reserves	5,363,255,059	25,272,401,000
Depreciation/amortization	1,016,274,773	975,878,702
Recovery from provision for market decline	205,418,625	12,831,875
Amortization of discount/premium on bonds payable	86,044,411	(3,990,952)
Provision for probable loss	73,880,581	3,757,226,318
Provision/(recovery) for impairment loss	30,029,297	(11,442,745)
Income tax benefit	(126,560,561)	(179,415,279)
Amortization of discount on bills payable	(1,004,839,480)	(10,185,456)
	5,643,502,705	29,813,303,463
Add/(deduct) movements in other working capital items:		
(Increase)/decrease in interest receivable	13,544,384,120	(1,872,468,748)
Increase in interest payable	5,599,213,827	1,627,181,128
Increase in miscellaneous liabilities	1,217,842,951	2,078,267,250
(Increase)/decrease in accounts receivable	936,673,856	(658,557,824)
Increase in Notes receivable	(11,700,000,000)	0
	9,598,114,754	1,174,421,806
Add/(deduct) investing and financing activities		
Net realized gain on FX rates fluctuation	(67,655,686,852)	(3,258,202,757)
Net cash provided/(used) by operating activities	**88,214,476,160**	**(784,880,826,694)**

41. TAXES

41.1 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:

	2022		2021	
	Amount	**Percent**	**Amount (as restated)**	**Percent**
Provision for income tax computed at the statutory income tax rate, before adjustments	15,694,705,865		8,635,475,950	
Add/(deduct):				
Restatements to financial statements computed at statutory rate	206,368,061		(186,141,571)	
Provision for income tax computed at the statutory income tax rate, as restated	15,901,073,926	25.00	8,449,334,379	25.00
Additions to/(reductions in) income tax resulting from the tax effects of:				
Expenses directly attributable to tax-exempt income	26,696,923,341	41.97	19,447,538,734	57.54
Expenses allocated to tax-exempt income	7,806,480,745	12.27	6,632,364,892	19.62
Provision for Reserve for Fidelity Insurance Fund	5,267,794,105	8.28	0	0.00
Provision for unused leave credits	386,481,350	0.61	530,913,518	1.57
Non-deductible national taxes	107,457,426	0.17	912,672,288	2.70
Provision for allowance for doubtful accounts	2,781,568	0.00	4,361,375	0.01
Provision for BSP Complex – NCC Project	0	0.00	6,318,100,250	18.69
PICCI income and expenses	(2,912,040)	0.00	31,830,262	0.09
Income exempt from income tax	(55,905,347,991)	(87.90)	(42,054,677,481)	(124.43)
Actual leave credits paid	(175,706,872)	(0.28)	(101,558,823)	(0.30)
Prior year reversal of allowance for doubtful accounts	(22,037)	0.00	(662,586)	(0.00)
Written-off accounts	0	0.00	(53,347)	0.00
	(15,816,070,405)	(24.87)	(8,279,170,918)	(24.50)
Actual provision for corporate income tax	**85,003,521**	**0.13**	**170,163,461**	**0.50**

Also presented above is the numerical reconciliation between the average effective tax rate, and the applicable tax rate of twenty-five percent (25.00%). 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).

41.2 Deferred income taxes

The significant components of the Bank's DTA as at 31 December are as follows:

	2022	2021
DTA		
Unused leave credits	1,416,118,100	1,205,343,621
Allowance for doubtful accounts	424,060,211	421,300,680
Tax overpayments	10,368,943,221	10,541,345,342
PICCI unused tax credit (for consolidation purposes)	135,427,209	127,631,099
Total deferred income tax assets	**12,344,548,741**	**12,295,620,742**

Movement in DTA account is summarized as follows:

	2022	2021
Net balance at the beginning of the year, before adjustments	12,295,620,742	11,986,154,674
Add/(deduct):		
Temporary differences charged to income tax expense	213,534,009	313,635,721
PICCI unused tax credits (for consolidation purposes)	7,796,111	51,594,087
Tax overpayments utilized to pay tax due	(172,402,121)	(55,763,740)
	48,927,999	309,466,068
Net balance at the end of the year	**12,344,548,741**	**12,295,620,742**

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 are comprised by the following:

	2022	2021
Net provision for unused leave credits	210,774,478	351,755,802
Net provision for uncollectible rentals	1,709,736	(1,941,984)
Net provision for allowance for doubtful accounts	1,049,795	(36,178,097)
Temporary differences charged to income tax expense	**213,534,009**	**313,635,721**

PAS 12 provides that DTA shall be recognized for the carry forward of unused tax losses to the extent that it is probable that the future taxable profit will be available against which the unused tax losses can be utilized. In this regard, unrealized losses on the marked-to-market valuation of domestic securities booked directly to equity under the account "Unrealized Losses on Investments in Government Securities" are not considered as DTA components as the future taxable profit may not be sufficient to absorb these deductible temporary differences. The marked-to-market valuation of domestic securities resulted to a net unrealized loss for both 2021 and 2022.

RIR account amounting to PHP689.245 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 BSP'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 BSP."

41.3 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 2022.

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 PHP0.094 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 PHP0.784 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 PHP0.096 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:

	2022	2021 (as restated)
Local taxes		
Real estate tax	97,535,893	227,309,422
Taxes and licenses related to acquired assets	17,277,084	21,665,581
Others (registration fees, licenses, permits)	1,799,519	2,070,335
Total	**116,612,496**	**251,045,338**
National taxes		
Capital gains tax related to acquired assets	214,110	(170,254)
Total	**214,110**	(170,254)
Compromise settlement of tax assessments		
Final withholding of VAT	566,958,147	579,556,735
Expanded withholding tax	262,114,029	342,806,755
FWT	156,548,932	201,212,326
Income tax	11,166,744	2,017,633,053
VAT	3,212,148	132,364,426
Final withholding of percentage tax	0	1,089,037,018
Total	**1,000,000,000**	**4,362,610,313**

	Balance, 31 December 2021 before adjustments	Adjustments	Balance, 31 December 2021 as restated
Local Taxes			
Taxes and licenses related to acquired assets	**21,272,802**	**392,779**	**21,665,581**
Realty Taxes			
- Expenses incurred in 2021 but paid in 2022		2,937,189.85	
- Adjustment on sale/application of payment of acquired assets		(3,995.52)	
- Buyer's share in property expenses		(164,222.30)	
- Capitalization of expenses to investment property		(2,340,088.25)	
Registration and License Fees			

	Balance, 31 December 2021 before adjustments	Adjustments	Balance, 31 December 2021 as restated
- Expenses incurred in 2021 but paid in 2022		16,995.28	
- Capitalization of expenses to investment property		(53,099.66)	
National Taxes			
Capital Gains tax related to acquired assets	**356,783**	**(527,037)**	**(170,254)**
- Capitalization of expenses to investment property		(527,037)	

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

	2022	2021
FWT on income	17,097,534,882	12,382,837,580
Withholding tax on compensation and benefits	5,194,344,797	3,931,119,000
VAT and other percentage tax withheld	278,376,256	271,362,518
Expanded withholding tax	118,770,544	101,251,514
Excise tax collected	80,417,572	43,528,792
Total	**22,769,444,051**	**16,730,099,404**

f. As of 31 December 2022, the application for compromise for the settlement of the alleged deficiency tax liabilities of the BSP covering taxable year 2020 was already settled at PHP1.000 billion.