

**BANGKO SENTRAL NG PILIPINAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 2023 AND 2022**  
**(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, EDC building, Cafetorium building, Multi-purpose building, Metropolitan Museum of Manila, and Security Services Department Command Operations Center for Contingency and Oversight.

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 (NLRO) in Baguio City; the South Luzon Regional Office (SLRO) in Naga City; the Visayas Regional Office (VRO) in Cebu City; and the Mindanao Regional Office (MRO) 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 MRO, NLRO, SLRO and Zamboanga City RB.

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

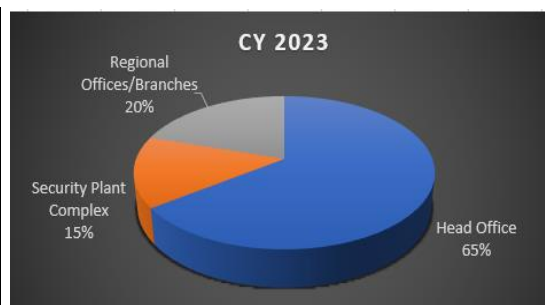
the Philippines; (c) five (5) members who shall come from the private sector, all of whom shall serve full-time.

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 MB. As of 31 December 2023, 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 2023, the BSP has a total personnel complement of 6,080 employees consisting of 5,869 regular and 211 contractual, distributed according to location, as follows:

Location	CY 2023	CY 2022	Change
Head Office	3,943	3,706	237
Security Plant Complex	914	895	19
Regional Offices/Branches	1,223	1,143	80
<b>Total</b>	<b>6,080</b>	<b>5,744</b>	<b>336</b>



In these financial statements, the BSP is also referred to as the "Bank." The MB has approved the release of the financial statements on 20 June 2024.

## 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, *Presentation of Financial Statements*, 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) 2023 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 funds, 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 2023. 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 a 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 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 three (3) members from the BSP, the Governor as Chairman, the ROAS Deputy Governor as Vice-Chairman, and the Assistant Governor, Office of the Governor, and three (3) members from the private sector. Its principal officers are the general manager, the deputy general manager, the 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 a 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.

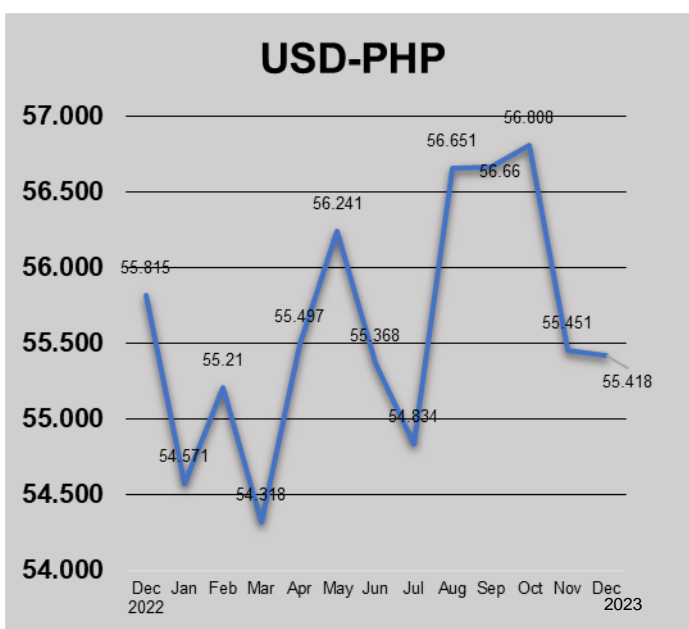
## 2.7 Foreign currency translation

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 increased the foreign denominated assets and liabilities as of December 31, 2023 by PHP77.945 billion and PHP0.920 billion, respectively.

Exchange rates used are based on the published BSP Reference Exchange Rate Bulletin (RERB). The PHP versus the USD appreciated by PHP0.397 or 0.71%, from PHP55.815 as of end December 2022 to PHP55.418 as of 31 December 2023. The end-December 2023 rate of PHP55.418 was used in the financial statements. The following are the prevailing month-end WAERs in 2023:

For the Month Ended	Exchange Rate USD-PHP	Change Inc/(Dec)
<b>2023</b>		
December	55.418	0.033
November	55.451	1.357
October	56.808	(0.148)
September	56.660	(0.009)
August	56.651	(1.817)
July	54.834	0.534
June	55.368	0.873
May	56.241	(0.744)
April	55.497	(1.179)
March	54.318	0.892
February	55.210	(0.639)
January	54.571	1.244
<b>2022</b>		
December	55.815	
<b>AVERAGE</b>	<b>55.586</b>	



## **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 daily or monthly, as applicable. Likewise, discounts/premiums are amortized daily or monthly, as applicable, 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 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 repo pool 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, NG and other Government-Owned and Controlled Corporations (GOCCs). The shares of the NG and other GOCCs will be subsequently debited to 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) either in an amount equivalent to a certain percentage of their preceding year's average net assessable assets or a fixed amount depending on the type of institution. E-Money Issuer – Non-Bank Financial Institutions (EMI-NBFI) ASF is currently fixed at PHP300,000.00. The ASF shall be collected through the Philippine Payment Settlement System (PhilPaSS), now enhanced as *PhilPaSS<sup>plus</sup>*, on the specified date referred to in the billing notice sent by the Department of Supervisory Analytics (DSA). Collection through *PhilPaSS<sup>plus</sup>* is made only for member banks. On the other hand, collection for non-members is made through application of the bank's 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/licensing fees for the establishment of bank branches, registration fees of pawnshops, accreditation of banks to engage in capital markets, trust activities, licensing fees for new EMI-NBFIs, registration fees for the operator of payment systems and other activities.

Entities without DDA in the BSP pay through over-the-counter and online bank payment via the New Order Payment System (NOPS) facility of 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, as amended. 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 an asset (if loss) or liability (if gain). Realized gains or losses due to changes in price are recognized upon the 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 the disposal of BSP-acquired properties. The accounting policy and procedures for 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, overnight investment repo pool, reverse repurchase agreements, loan to International Monetary Fund (IMF), IMF Special Drawing Rights (SDR), hold-to-collect investment securities, banks' availments in the BSP's Overnight Lending Facility, and semi-annual floating rate treasury bond. 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 the 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 the 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), net of passed-on costs/benefits arising from contractual arrangements in the secondary market, 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 the 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 the 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 the reclassification date as if it has always been measured at AC.

**c. From FVRR to AC** - the asset is measured at FV at the reclassification date with cumulative gain or loss previously recognized in the RIR account reversed contra the financial asset account. As a result, the financial asset is measured at the reclassification date as if it has always been measured at AC.

### **2.9.3 Impairment of financial assets**

The BSP applies the impairment requirements for the recognition and measurement of ECL using the “three-stage” approach of the PFRS 9, for its financial assets classified as AC, FVOCI, and FVRR, except for 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.

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

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. The amortizing and bullet repayment loans 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 the 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 BSP 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 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 BSP 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 are initially booked at cost and are subsequently measured using the cost model. Those 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 the 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 BPPFE 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:

<b>Asset Group</b>	<b>Estimated Useful Life (No. of Years)</b>
Buildings-BSP Constructed	30
Buildings-BSP-Acquired or Purchased	25
Property Improvements (building, land, leasehold and office)	10
Machinery and Equipment	10
Armored Vehicles	10
Firearms	10
Motor Vehicles	7
Books	5
Computer Hardware	5
Furniture and Equipment	5
Tools and Apparatus	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 the transfer of the construction cost to the appropriate property account.

Imported assets acquired through Letters of Credit (L/Cs) are initially recorded as “In-transit” account against a liability account upon receiving advice/proof of transfer of risk as defined on the applicable International Commercial Terms (INCOTERMS) as stated in the contract. This in-transit account shall be later reclassified to the appropriate asset account upon receipt of the imported asset and creation of Gross Receipts Note (GRN)/acceptance. Any exchange rate difference between the recognition of the liabilities and actual settlement of L/C negotiation is treated as gain or loss on fluctuations in FX rates. Non-exempt importation charges such as customs taxes, brokerage fees and other related expenses 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 the 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**

The BSP adopted the applicable provisions of the PFRS 16 - Leases. This standard, sets out the principles for the recognition, measurement, presentation, and disclosure of leases.

As a lessee, the BSP shall recognize a right-of-use (ROU) 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 ROU 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 of BSP as a lessor is in accordance with paragraphs 61 to 88 of PFRS 16. 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. Inventories acquired by the BSP through import L/Cs are recognized as "Asset in transit" upon transfer of risk to BSP



as defined in the applicable INCOTERMS. For shipments via Cost and Freight/Cost Paid To (CFR/CPT) INCOTERMS, cost of the imported goods shall be booked as In-transit based on the prevailing exchange rate at the time of shipment/loading. However, for shipments under Delivered at Place/Delivered Duty Paid (DAP/DDP) FX rate shall be based on the Acknowledge Receipt issued by the importing Department as proof of delivery by the designated broker of the shipper. Reclassification to appropriate inventory account is made upon receiving the imported asset and creation of the GRN. Customs duties, brokerage fees and other related expenses (when not exempt) are capitalized based on the applicable INCOTERMS. Issuances are valued based on moving average method.

Finished currency notes and coins are recognized as “finished goods” (FG) 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 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 GMRO, 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 the prevailing FX rate and the historical moving average FX rate. In accordance with Section 45 of the BSP Charter, the unrealized gains or losses due to change in FX rates of outstanding financial liabilities as of the reporting date, are booked in the RIR account in the balance sheet as of the reporting date. 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 GOCCs; 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 the 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 the reporting date, the outstanding forward contract is marked-to-market and the unrealized gains or losses due to changes 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) are 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, 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 Reverse repurchase facility (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. RRP 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 overnight RRP facility is offered using variable-rate tenders, multiple price auction format. Under a variable-rate RRP auction format, the BSP announces an offer size based on its forecasts of excess system liquidity. Participating institutions to the overnight RRP facility submit bids for both the amount of funds and the interest rates at which they are willing to place said funds with the BSP. The BSP reviews the bids received and determines the successful bids to award.

### **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.

### **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) 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.

### **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), NBQBs and trust entities can participate in the auction and secondary market trading.

### **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.

## **2.20 Securities lending and repurchase agreements**

### **2.20.1 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 back the borrowed securities at a future date.

For loans collateralized with cash, the difference between the rebate rate and cash re-investment rate determines the securities lending income. On the other hand, loans collateralized with securities earn a lending fee based on the intrinsic lending value of the loaned securities. Both the rebate rate 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 is 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 them from those which are free from any encumbrance. The reclassification entry is reversed every first working day of the following month.

### **2.20.2 Repurchase agreements**

Repurchase agreements (repos) are short-term agreements which involve the sale of securities with an undertaking to repurchase them on an agreed future date at an agreed price. Foreign securities used as collateral in repos remain in the foreign securities subsidiary ledger account in the balance sheet. Those securities are reclassified to another SL account every end of the month to distinguish them from those which are free from any encumbrance. The reclassification entry is reversed every first working day of the following month. In addition, a liability (repo account) is booked for the cash received and measured at amortized cost. Interest related to the obligation is accrued over the term of the agreement and recognized as interest expense.

### **2.21 Currency in circulation**

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

In accordance with Section 51 of the New Central Bank Act, 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.

### **2.22 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 accrues 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 PFRSs/PASs.

#### **2.22.1 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 were 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.

#### **2.22.2 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.

#### **2.22.3 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 (JL 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 the car plan fund are recognized as advances booked under "Due from Administrator of Funds" account.

#### **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. 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.

#### **2.22.5 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.

### **2.23 Capital reserves**

The capital reserves listed below have been setup to cover for various risks.

#### **Managed funds**

##### **2.23.1 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 accrues to 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 the 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.

### **2.23.2 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.

### **2.23.3 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 MB 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.

### **2.23.4 Retirement benefit fund**

This Fund was set up in CY 1997 for employees who are eligible to retire under RA No. 1616. See Note 2.22.4.

### **2.23.5 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**

### **2.23.6 Reserves for fluctuations in FX rate and price of gold**

These reserves were initially set up in CY 1998 as a 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.

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.

### **2.23.7 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.

### **2.23.8 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 2023.

### **2.23.9 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.

### **2.23.10 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.

### **2.23.11 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.

## 2.23.12 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 the surplus account. Balance of the Fund is not currently invested.

## 2.24 Commitments and contingent liabilities

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

	2023	2022
FX commitment receivable/payable	733,553,586,871	554,476,531,579
L/Cs held/received in process	15,724,452,802	2,950,633,373
Currency unissued	2,301,790,000	35,284,545,000
Equity investment receivable/payable	861,173,900	861,173,900

Below is the FX commitment receivable/payable as of 31 December 2023:

	Note	USD	PHP
<b>FX commitment receivable/payable (no maturity)</b>	<b>2.24.1/2</b>		
Chiang Mai initiative multi-lateralization arrangement	2.24.4.a	9,104,000,000	399,920,512,000
Foreign currency swap	2.24.1	4,331,000,000	240,736,683,500
New arrangements to borrow	2.24.3.b	1,012,700,744	46,512,089,371
Bilateral swap arrangement	2.24.4.b	500,000,000	25,487,000,000
Note purchase agreement	2.24.3.c	431,000,000	20,846,608,000
Catastrophe Containment and Relief Trust	2.24.3.d	1,000,000	50,694,000
<b>Total</b>		<b>15,379,700,744</b>	<b>733,553,586,871</b>

### 2.24.1 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.

### 2.24.2 FX commitment receivable/payable represents foreign currency forward transaction

A foreign currency forward transaction refers to a commitment to buy/sell certain amounts of foreign currency at an agreed rate and future date. As of end of 31 December 2023 and 2022, there are no outstanding forward transactions.

### 2.24.3 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 2023, the Philippines has transferred a total of SDR577.525 million (USD834.758 million) and received repayments totaling SDR120.558 million (USD164.335 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 31 December 2023, the total outstanding commitment of NAB available for drawdown amounted to SDR679.296 million (USD1,012.701 million). Since inception, out of the total commitment of SDR680.000 million, total loans granted amounted to SDR89.920 million while repayments received from the IMF reached SDR89.216 million, leaving an outstanding loan to IMF balance of SDR0.704 million (USD0.944 million).

#### **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 the latest renewal of NPA in 2020, the BBA was reduced to USD431.000 million effective 18 June 2021 until 31 December 2024. As of end of 2023, 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 committed to contribute USD4.000 million to the Fund's CCRT to be disbursed in four (4) equal annual installments beginning in 2021. As of 31 December 2023, Philippines had remitted its 3<sup>rd</sup> tranche to the Fund amounting to USD1.000 million, bringing the total contribution so far to USD3.000 million. As of 31 December 2023, the remaining commitment for CCRT amounted to USD 1.000 million.

#### **e. Poverty Reduction and Growth Trust (PRGT)**

The MB, in its Resolution No. 176 dated 10 February 2022, and in line with the endorsement of the DOF and the Special Authority granted by the President of the ROP dated 2 September 2022, approved the BSP's contribution, on behalf of the NG, to the PRGT of the IMF in the amount of USD5.000 million. The contribution to the PRGT is a testament to the country's strong external position and commitment to helping the IMF address the needs of LICs. The Philippines, through the BSP, disbursed the contribution of US\$5.000 million to the PRGT in January 2023.

### **2.24.4 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 Promissory Note in the amount equivalent to their committed contribution. Under this arrangement, the management and custody of committed reserves remain with the central banks until a swap request has been approved. The Philippines, through the BSP, has an outstanding contribution commitment of USD9.104 billion to the CMIM. The BSP may be able to borrow up to 2.5 times its contribution, i.e., USD22.760 billion from the CMIM. As of 31 December 2023, 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. As of 31 December 2023, no transactions were made.

#### **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.

#### **2.24.5 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.

**2.24.6 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.

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

#### **2.25 Trust accounts**

The BSP administers (a) funds provided by the NG, the 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.

#### **2.26 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.

#### **2.27 Comparatives**

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

#### **2.28 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 MB approved the declaration and remittance to the 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.

On 07 November 2023, the BSP remitted the amount of PHP23.754 billion representing its underpaid dividends to the NG for CYs 2007 to 2018, pursuant to MB Resolution No. 1447 dated 03 November 2023.

## **2.29 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, RM 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 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%) from 01 July 2020 to 30

June 2023 and two percent (2%) starting 01 July 2023, 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 No. 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.

The BSP withholds twenty percent (20%) final withholding tax (FWT) on interest on RRP, ODF and TDF transactions. In view of the BIR’s Ruling dated 29 June 2020, the BSP discontinued withholding the five percent (5%) gross receipts tax (GRT) on interest accruing on RRP, ODF and TDF transactions after 31 July 2020.

Moreover, the BSP currently offers twenty-eight (28)-day and fifty-six (56)-day Bills and the transactions are subject to twenty percent (20%) FWT.

### **3. RISK MANAGEMENT**

The BSP has adopted an enhanced Enterprise Risk Management (ERM) Framework, which institutionalize a structured, systematic, and integrated approach towards a robust risk management practice within the Bank. Under the framework, the management of



risk is conducted through a combination of “top-down” and “bottom-up” approaches that capture risks at both the enterprise and operational levels. This risk management approach is grounded on a strong governance structure composed of a Board-level Risk Oversight Committee supported by a dedicated Risk and Compliance Office, performing a second-line function in managing risks, and Risk Management Units (RMUs) responsible for promoting and coordinating the implementation of the ERM methodologies and tools 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 and the Department of Loans and Credit (DLC) 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 and present value of a basis point (PVO1) metrics, which measures the sensitivity of the portfolios to changes in interest rate. 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 of 31 December 2023, grouped into assets and liabilities at carrying amounts:

<b>Currency</b>	<b>Original Currency</b>	<b>USD Equivalent</b>
<b>Assets</b>		
USD	89,760,302,765	89,760,302,765
SDR	2,957,417,234	3,967,877,981
AUD	2,764,498,933	1,882,900,223

<b>Currency</b>	<b>Original Currency</b>	<b>USD Equivalent</b>
GBP	1,477,171,695	1,880,735,002
CNY	4,508,347,093	635,176,514
CNH	2,678,611,522	375,999,378
JPY	17,520,489,105	124,377,952
EUR	1,464,655	1,617,858
CAD	28,327	21,402
<b>Liabilities</b>		
USD	4,295,444,379	4,295,444,379
SDR	2,864,215,679	3,842,832,251
JPY	17,451,936,421	123,891,297
EUR	11,433,792	12,629,767
AUD	1,659,780	1,580,519
CNH	646,724	90,781
GBP	29,280	44,631
CNY	6,568	925

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. To manage and minimize the risk, the BSP observes the credit policy measures and control mechanisms approved by the appropriate authority (i.e., MB, Governor or Deputy Governor). These include the adoption of the following: (a) eligibility requirements for access, availment and selection of acceptable collaterals in the BSP credit facilities; (b) robust credit scoring system to assess creditworthiness of applicant rediscounting bank; (c) leveraging on latest supervisory data and information, in the evaluation and monitoring of banks' financial condition; (d) periodic review and monitoring of eligibility requirements of rediscounting banks (e) setting interest rates with due consideration for the monetary policy stance, financial stability mandate, counterparty and objective of the loan/credit facility; (f) setting of loan limits/ceilings and haircuts on collaterals; (g) credit analysis and/or verification of debtor banks and its submitted collaterals; (h) imposition of restrictions on certain transactions/activities and appointment of BSP comptroller to banks with emergency loans and (i) regular review and updating of credit risk management policies and guidelines. On the other hand, loans to the NG are approved by the MB, based on the conditions and parameters provided in Section 89 of the BSP Charter, as evaluated by the appropriate BSP departments/offices.

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/s
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 OCL Loans	Real estate mortgage on bank assets, mortgage credits, 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.

In extraordinary circumstances, the BSP, in its role as the lender of last resort, may take higher level of financial risk in the process of mitigating the impact of financial instability, providing liquidity in the financial system, and protecting the interest of the depositors. The balance sheet structure of central banks, and therefore their financial risks, are affected by policy decisions that are made to advance their monetary policy stance, exchange rate regime, reserves management, and financial stability goals. These policy decisions may shift the balance sheet structure and financial risk.

### 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 FX 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 Risk and Compliance Office (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. In July 2023, the BSP, together with the vendor, upgraded the TPMS to version 23.01. The Support and Warranty period was completed in August 2023. Relatedly, the multiyear software subscription and support services for the TPMS licenses and modules were renewed for three (3) years on 04 August 2023.

FM also coordinates with relevant BSP departments, external stakeholders, and other institutions to facilitate compliance with applicable laws, rules and regulations affecting its investment activities. Likewise, prior to the engagement of service providers, FM works closely with the BSP's General Counsel for the review and clearance of all agreements, contracts, and other documents which may contractually bind the BSP to FM's counterparties, custodians and third-party service providers. In addition, FM secures the necessary authority from, and approval by the MB before agreements, letters, and other similar documents are signed. Relatedly, information and data of the BSP are released, disclosed and/or submitted to requesting entities in accordance with the applicable laws and BSP policies and procedures.

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.

The DLC also obtains feedbacks through the Feedback Management System to gauge service quality and to improve effectiveness and efficiency of DLC services rendered to its stakeholders.

In managing BSP's risks associated in determining the fair market values of the properties, the AMD engages the services of appraisal companies acceptable to the BSP 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. 21 December 2023 the award of contract to Kusters Engineering B.V. for One Lot – Supply, Delivery, Installation, Testing, and Commissioning of six units Currency Disintegration System for various BSP Branches, as per BSP terms of reference, technical specifications, and service level agreement in the total amount of EUR1.500 million, DAP, Various BSP Branches, INCOTERMS 2020 (equivalent to PHP89.962

million based on BSP Reference Rate of EUR1.000=PHP59.979 prevailing on 14 November 2023, schedule for submission and opening of bids).

b. 21 December 2023 the budget of the Philippine International Convention Center, Inc. for the calendar year 2024 amounting to PHP877.132 million.

c. 14 December 2023 the award of contract to Giesecke & Devrient Asia Pacific Limited – Philippine Branch for One Lot Comprehensive Maintenance Contract of the three units of Automated Banknote Processing Machines, BPS M7, operated at the BSP GMRO for a period of three years from 2024 to 2026, as per BSP terms of reference and terms and conditions, in the total amount of USD1.862 million, equivalent to PHP102.965 million based on BSP Reference Exchange Rate of USD1.000=PHP55.300 prevailing on 7 December 2023, date of opening of price confirmation, for years 1 to 3, inclusive of all applicable taxes and other charges.

d. 14 December 2023 the award of contract to Giesecke & Devrient Asia Pacific Limited – Philippine Branch for One Lot Preventive Maintenance Services of 24 units Automated Banknote Processing Machine BPS-M7, for various BSP ROBs, including labor, spare parts/components and training of BSP personnel for a period of three years, as per BSP terms of reference and terms and conditions, in the total amount of USD9.156 million, equivalent to PHP507.249 million, based on the BSP Reference Exchange Rate of USD1.00=PHP55.400 prevailing on 28 November 2023, date of opening of price confirmation, for years 1 to 3, inclusive of all applicable taxes and other charges.

e. 14 December 2023 the award of contract to Dearjohn Services, Inc. for One Lot - Supply of Labor, Tools, Equipment, Materials, and Supplies, and Other Related Services for the BSP Head Office, for a period of three years, as per BSP terms of reference, in the total amount of PHP63.265 million per year, or PHP189.795 million for three years, inclusive of all applicable taxes and other charges. The supplier is engaged in providing external professional services.

f. 14 December 2023 the award of contract to Surys for One Lot – Supply and Delivery of 3,040 rolls Optically Variable Device Patch for 1,000-Piso New Generation Currency Banknotes, as per BSP technical specifications, terms of reference, and terms and conditions, in the total amount of EUR4.432 million, equivalent to PHP269.028 million, based on the BSP Reference Rate of EUR1.000=PHP60.697, prevailing on 28 November 2023, opening of price confirmation, Delivery-at-Place, BSP SPC (INCOTERMS 2020), exclusive of VAT and other applicable charges.

g. 30 November 2023 the 2024 BSP Cash Budget and the BSP Multi -Year Contracting Authority for multi-year projects/items amounting to PHP310.640 billion and PHP8.610 billion, respectively.

h. 16 November 2023 the award of contract to Papierfabrik Louisenenthal GmbH for the supply and delivery of 51,020 reams of 50-Piso enhanced New Generation Currency Banknote Paper (50 outs), as per BSP technical specifications and terms of reference, in the total amount of EUR18.542 million, equivalent to PHP1.113 billion, based on BSP Reference Rate of EUR1.00=P60.025, prevailing on 17 October 2023, opening of bids, DAP, BSP-SPC, Quezon City, INCOTERMS 2020, exclusive of VAT and other applicable charges.

- i. 10 November 2023, the termination of the BSP's OCL Facility on 06 March 2024, whose purpose is covered by the BSP's automated intraday settlement facility pursuant to BSP Circular No. 1180.
- j. 03 November 2023 the declaration of cash dividends to the NG amounting to PHP23.754 billion, representing the underpaid dividends covering Calendar Years 2007 to 2018.
- k. 26 October 2023 the award of contract to Rizing Philippines Inc. for One Lot – Supply, Delivery, Installation, Configuration, Development, Customization, Testing, Implementation, Software Subscription, and Support Services for the Enterprise Human Resource System Project, Inclusive of Software Solution Implemented Using Software as a Service Model, as per BSP terms of reference and annexes, in the total amount of PHP129.992 million, inclusive of all applicable taxes and other charges.
- l. 26 October 2023, the approval-in-principle of the proposal of the PDIC to set up a credit line with the BSP.
- m. 19 October 2023 the award of contract to Papierfabrik Louisenthal GmbH for the supply and delivery of 75,200 reams 100-Piso enhanced New Generation Currency Banknote Paper (50 outs) (Lot 2), as per BSP technical specifications and terms of reference, in the total amount of EUR42.431 million, equivalent to PHP2.605 billion, as per BSP Reference Exchange Rate of EUR1.000=PHP61.404, prevailing on 24 August 2023, opening of bids, DAP, BSP-SPC, Quezon City, INCOTERMS 2020, exclusive of VAT and other applicable charges.
- n. 05 October 2023 the award of contract to Columbia Technologies, Inc. for One Lot Multi-Year Managed Device Services, including Configuration, Deployment, and other Necessary and Related Activities, for various Information and Communications Technology Devices, as per BSP terms of reference and annexes, in the total amount of PHP208.299 million, inclusive of all applicable taxes and other charges.
- o. 28 September 2023 the award of contract to Giesecke+Devrient Currency Technology GmbH for the supply and delivery of 200,000 bundles of 500-Piso New Generation Currency Outsourced Finished Banknotes with Enhanced Security Features and Tactile Marks, as per BSP technical specifications and terms of reference, in the total amount of EUR11.751 million, equivalent to PHP727.475 million based on BSP Reference Rate of EUR1.000=PHP61.910, prevailing on 16 August 2023, opening of bids, Carriage Paid To and/or Cost and Freight, Manila, INCOTERMS 2020, exclusive of VAT and other applicable taxes and charges.
- p. 07 September 2023 the award of contract to Trilink Technologies, Inc. for One Lot – Supply, Delivery, Installation, and Commissioning of P25 Radio Communication System for various BSP sites, as per BSP terms of reference in the total amount of PHP624.885 million, inclusive of all applicable taxes and other charges.
- q. 24 August 2023 the award of contract to Ebizolution Inc. for One Lot Multi-year Storage System as a Service Subscription, as per BSP terms and conditions, terms of reference, and service level agreement, in the total amount of PHP221.336 million, for years one to three, inclusive of all applicable taxes and other charges.

- r. 11 August 2023 the award of contract to Koenig & Bauer Banknote Solutions SA for the Enhanced New Generation Currency Equipment, inclusive of technical and maintenance support, training, supply and delivery of RM, consumables, and wear and tear spare parts for 12 months, as per BSP terms and conditions, terms of reference, and technical specifications, in the total amount of EUR16.196 million, equivalent to PHP973.643 million as per BSP RERB on 5 July 2023, opening of price confirmation (EUR1.00=PHP60.116), DAP, BSP-SPC, Quezon City (INCOTERMS 2020), exclusive of VAT and other applicable charges.
- s. 11 August 2023 the award of contract to Casedist Inc. for One Lot – Supply, Delivery, Installation, and Commissioning of Dual View X-Ray Machines and Walk-Through Metal Detectors for various BSP sites, as per BSP terms of reference in the total amount of PHP133.000 million, inclusive of all applicable taxes and other charges.
- t. 11 August 2023 the award of contract to Yek Yeu Merchandising Inc. for One Lot – Supply, Delivery, Installation, and Commissioning of Perimeter Intrusion Detection System for various BSP sites, as per BSP terms of reference, in the total amount of PHP272.500 million, inclusive of all applicable taxes and other charges.
- u. 20 July 2023 the award of contract to Crayon Software Experts Philippines, Inc. for One Lot – Third Site Cloud Data Center, as per BSP terms of reference and Service Level Agreement in the total amount of PHP119.773 million, inclusive of all applicable taxes and other charges.
- v. 20 July 2023 the award of contract to The Joint Venture of Universal Access and Systems Solutions, Phil., Inc. and Ardent Networks Inc., for One Lot – BSP Network Enhancement and Support Services, as per BSP terms of reference and annexes in the total amount of PHP449.009 million, inclusive of all applicable taxes and other charges.
- w. 20 July 2023 the award of contract to SimCorp Singapore Pte. Ltd. for One Lot – Multiyear Software Subscription and Support Services for the SimCorp Dimension Licenses and Modules, inclusive of Technical Training Services for three years, as per Master Subscription Agreement and BSP terms and conditions and terms of reference in the total amount of USD5.990 million, equivalent to PHP332.452 million based on BSP Reference Rate of USD1.000=PHP55.500, prevailing on 21 June 2023, date of opening of price confirmation, exclusive of all applicable taxes and other charges.
- x. 20 July 2023 the declaration of 50% of the net income of the BSP for calendar year 2022 as dividends to the NG amounting to PHP31.859 billion.
- y. 13 July 2023 the award of contract to De La Rue International Limited, the Lowest Calculated Responsive Bidder for the Supply and Delivery of 150,000 Bundles 50-Piso Enhanced New Generation Currency Outsourced Finished Banknotes, as per BSP technical specifications and terms of reference, in the amount of EUR4.497 million, equivalent to PHP269.524 million based on BSP Reference Rate of EUR1.00=PHP59.934, prevailing on 5 June 2023 opening of bids, Carriage Paid To for Air Freight and Cost and Freight for Sea Freight, Manila, INCOTERMS 2020, exclusive of VAT and other charges applicable to BSP.



- z. 29 June 2023 the award of contract to Royal Canadian Mint and Artazn, LLC for the supply and delivery of Lot 1 and Lot 2, respectively, of the New Generation Currency Coin Metals, as per BSP technical specifications and terms of reference, in the equivalent amount of PHP1.781 billion (Lot 1: USD15.488 million and Lot 2: USD16.172 million), as per BSP RERB on 31 May 2023, submission and opening of bids (USD1.000=PHP56.260), DAP, BSP-Quezon City, INCOTERMS 2020, exclusive of all applicable taxes and incidental charges.
- aa. 18 May 2023 the setting up of capital reserves aggregating PHP21.071 billion to be taken fully from the BSP's net income for Calendar Year 2022.
- bb. 11 May 2023 the decision to defer action on the proposal to set up capital reserves aggregating PHP42.623 billion, to be taken fully from the BSP's net income for Calendar Year 2022.
- cc. 20 April 2023, the supplemental budget amounting to PHP64.951 million to cover the payment of the Bank of Commerce's (BOC) claims against the BSP for Net Peso Differential, which was credited to BOC's demand deposit account on 26 May 2023.
- dd. 13 April 2023 to write-off the consolidated residual claims against various closed banks in the total amount of PHP2.911 million as of 31 December 2022.
- ee. 04 April 2023 the award of contract to Kusters Engineering B.V. for the supply, delivery, installation, testing, and commissioning of 10 units Currency Disintegration System for various BSP ROBs, as per BSP technical specifications, terms of reference, and service level agreement, in the total amount of EUR2.292 million (Peso equivalent of PHP136.069 million as per BSP RERB on 25 January 2023, submission and opening of bids, EUR1.000=PHP59.368), DAP, various BSP ROBs INCOTERMS 2020, inclusive of all applicable taxes and other charges.
- ff. 23 March 2023 the award of contract to Indra Philippines Inc. for One Lot – Multi-Year Contract on Provision of Information Technology Service Desk Managed Services for BSP Head Office, SPC, ROBs, as per BSP terms of reference and annexes, in the total amount of PHP103.837 million, inclusive of all applicable taxes and other charges.
- gg. 23 March 2023, the reversion of the cash portion of the Local Counterpart Fund to the NG in the amount of PHP1.949 billion in compliance with Executive Order No. 431 dated 30 May 2005 and Joint Circular No. 4-2012 dated 11 September 2012.
- hh. 23 March 2023, the remittance to the NG the balance of the financial assistance to the Central Bank-Board of Liquidators in the amount of PHP467.480 million, as requested by Department of Finance in its letter dated 13 January 2023.
- ii. 09 March 2023 the award of contract to Asian Aerospace Corporation for One Lot Engagement of Chartered Aircraft Services (Big Aircraft) for BSP Shipments of Official Cargoes to BSP ROBs in Luzon, Visayas, and Mindanao, as per BSP technical specifications and terms of reference, in the total amount of PHP569.961 million, inclusive of all applicable taxes and other charges.

jj. 09 March 2023, the reversion of the Educational Loan Guarantee Fund to the General Fund of the NG, as directed by the Permanent Committee, in its Resolution No. 2022-02 dated 07 December 2022.

kk. 02 February 2023 the award of contract to Giesecke & Devrient Asia Pacific Limited – Philippine Branch for one lot preventive maintenance services for 21 units Automated banknote Processing Machines Model BPS-M7 of various BSP ROB, including labor, spare parts/components and training of BSP personnel, as per BSP terms of reference and terms and conditions, in the total amount of USD2.423 million (equivalent to PHP132.164 million, as per BSP RERB on 23 January 2023, opening of price confirmation: USD1.000=PHP54.550), inclusive of all applicable taxes and other charges.

ll. 26 January 2023 the award of contract to Vigilant Investigative and Security Agency Inc., Catalina Security Agency, and Bessang Pass Security Agency, Inc. for the supply of services through outsourcing of security guards to be deployed at various BSP sites, as per BSP terms of reference, in the total amount of PHP376.003 million, inclusive of all applicable taxes and other charges.

mm. 26 January 2023, the changes in the United States dollar and Japanese yen rediscount rates in view of cessation of London Interbank Offered Rate and confirmed the changes in the Peso rediscount rates to make them more reflective of market interest rates.

nn. 19 January 2023 the award of contract to Koenig & Bauer Banknote Solutions SA for One Lot – On-site Preventive and Corrective Maintenance with Wear and Tear Parts and Remote Maintenance Services for various KBA Machines, as per BSP terms of reference and terms and conditions, in the total amount of EUR1.396 million (equivalent to PHP82.278 million as per BSP RERB on 28 December 2022, opening of price confirmation: EUR1.00=PHP58.949), CPT Manila (INCOTERMS 2020), exclusive of all applicable taxes and incidental charges.

oo. 13 January 2023 the award of contract to Bloomberg Finance Singapore L.P. for the renewal and new subscriptions to Bloomberg Services for the use of various end-user departments/offices of the BSP covering the period 01 January 2023 to 31 December 2024, in the total amount of USD6.994 million, VAT inclusive (equivalent to PHP386.396 million based on the BSP Reference Rate of USD1.000=PHP55.250, prevailing on 21 December 2022, opening/receipt of price confirmation.

## **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	2023	2022
DFFB-Demand deposit	a	18,319,889,917	36,778,849,091
DFFB-Time deposit	b	103,479,308,553	224,633,322,244
Allowance for impairment loss		(2,354,024)	(2,707,064)
		103,476,954,529	224,630,615,180
		121,796,844,446	261,409,464,271
Accrued interest		962,567,952	1,191,589,699
<b>Total</b>		<b>122,759,412,398</b>	<b>262,601,053,970</b>

a. **DFFB – 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. **DFFB - Time Deposits (DFFB-TD)** represent placements of BSP with accredited foreign banks. FX 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 - FOREIGN

	2023	2022
<b>Financial assets at fair value through revaluation reserves</b>		
<b>Internally managed fund</b>		
Marketable securities	2,909,149,608,157	2,352,704,840,388
<b>Externally managed fund</b>		
Managed funds	1,371,552,123,990	1,318,129,345,664
Bank for international settlements	96,568,550,349	93,140,164,398
	4,377,270,282,496	3,763,974,350,450
<b>Financial assets at amortized cost</b>		
<b>Internally managed fund</b>		
Marketable securities	205,977,191,857	141,821,337,482
Allowance for impairment loss	(33,586,343)	(13,094,190)
	205,943,605,514	141,808,243,292
	4,583,213,888,010	3,905,782,593,742
Accrued interest	20,126,349,610	12,420,605,375
<b>Total</b>	<b>4,603,340,237,620</b>	<b>3,918,203,199,117</b>

Marketable securities consist of foreign securities, both free and lent under securities lending agreements, primarily denominated in USD, CNH, CNY, GBP, and AUD currencies. Externally managed funds include funds managed by external fund managers (PHP1,371.552 billion), Bank for International Settlement Investment Pool (PHP52.808 billion), and Asian bond fund (PHP43.760 billion).

## 9. OVERNIGHT INVESTMENT – REPO POOL

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

	2023	2022
Overnight investment – repo pool	182,009,337,400	411,211,431,000
Allowance for impairment loss	(89,772)	(306,662)
	182,009,247,628	411,211,124,338
Accrued interest	52,833,640	49,016,765
<b>Total</b>	<b>182,062,081,268</b>	<b>411,260,141,103</b>

## 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.

	2023	2022
Beginning balance-January 1	238,847,539	573,119,957
Add/(Deduct):		
Repayment	(185,546,274)	(350,487,254)
Revaluation adjustments	(981,448)	16,214,836
	(186,527,722)	(334,272,418)
Total	52,319,817	238,847,539
Accrued interest	463,440	1,193,913
<b>Ending balance-December 31</b>	<b>52,783,257</b>	<b>240,041,452</b>

## 11. GOLD

	Note	2023	2022
In bullion vault	a	28,846,554,510	28,648,757,722
With foreign financial institutions (FFIs)	b	556,310,210,122	489,466,879,915
<b>Ending balance-December 31</b>		<b>585,156,764,632</b>	<b>518,115,637,637</b>

### a. Gold in bullion vaults

	2023		2022	
	FTO	PHP	FTO	PHP
<b>Opening balance-January 1</b>	<b>280,396.940</b>	<b>28,648,757,722</b>	<b>2,878,497.734</b>	<b>268,197,768,224</b>
Additions during the year	292,827.477	30,727,483,792	265,018.783	25,073,647,385
	573,224.417	59,376,241,514	3,143,516.517	293,271,415,609
Transfer to Gold with FFIs	(321,098.382)	(24,532,274,173)	(2,863,119.577)	(153,653,020,649)
Net decrease due to price/rate revaluation	0	(5,997,412,831)	0	(110,969,637,238)
<b>Ending balance-December 31</b>	<b>252,126.035</b>	<b>28,846,554,510</b>	<b>280,396.940</b>	<b>28,648,757,722</b>

	USD/FTO	
	2023	2022
Revaluation Rate	2,064.55	1,830.55
Moving Average Rate	1,760.58	1,298.28

### b. Gold with foreign financial institutions

	2023		2022	
	FTO	PHP	FTO	PHP
<b>Opening balance-January 1</b>	<b>4,790,363.957</b>	<b>489,441,776,386</b>	<b>2,227,367.856</b>	<b>207,530,157,462</b>
Additions/(deductions) during the year:				
Transfer from bullion vault	321,098.382	24,546,851,655	2,863,119.577	153,802,045,799
Purchases	48,000.002	5,338,852,501	31,077.078	2,624,358,055
Sales	(298,027.237)	(33,631,715,007)	(331,200.554)	(28,204,893,034)
Net increase due to price/rate revaluation	0	70,516,736,386	0	153,690,108,104
	71,071.147	66,770,725,535	2,562,996.101	281,911,618,924
	4,861,435.104	556,212,501,921	4,790,363.957	489,441,776,386
Accrued interest	0.00	97,708,201	0.00	25,103,529
<b>Ending balance-December 31</b>	<b>4,861,435.104</b>	<b>556,310,210,122</b>	<b>4,790,363.957</b>	<b>489,466,879,915</b>

	USD/FTO	
	2023	2022
Revaluation Rate	2,064.55	1,830.55
Moving Average Rate	1,287.47	1,267.10

## 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.

	2023	2022
<b>Beginning balance-January 1</b>	<b>210,131,538,325</b>	<b>200,783,645,080</b>
Add/(deduct):		
Income accruing to the fund	8,994,292,272	1,872,913,804
Payment of interest and assessment	(7,440,792,640)	(1,566,646,025)
Revaluation	(564,971,055)	9,042,278,069
Adjustment due to moving average		
Computations	0	(652,603)
	988,528,577	9,347,893,245
	211,120,066,902	210,131,538,325
Accrued interest	1,466,850,626	964,630,419
<b>Ending balance-December 31</b>	<b>212,586,917,528</b>	<b>211,096,168,744</b>

### 13. LOANS AND ADVANCES

	Note	Percent to Total	2023	2022 (as restated)
<b>Local currency loans and advances</b>				
PDIC	a	18.21	15,932,902,237	15,932,902,237
Allowance for impairment loss			(2,972,283,329)	(2,972,283,329)
			12,960,618,908	12,960,618,908
<b>National Government</b>				
IMF quota subscription	b		68,352,097,440	68,352,097,440
		78.11	68,352,097,440	68,352,097,440
<b>Emergency</b>				
Commercial bank	c		1,306,259,754	1,306,259,753
Thrift banks			48,089,485	48,089,486
Rural/Cooperative banks			126,450,955	133,556,475
		1.69	1,480,800,194	1,487,905,714
Allowance for impairment loss			(1,464,233,322)	(1,470,899,762)
			16,566,872	17,005,952
<b>Rediscounting</b>				
Thrift banks	d		10	11
Specialized bank			90	90
Rural/Cooperative banks			18,798,362	19,866,114
		0.02	18,798,462	19,866,215
Allowance for impairment loss			(15,998,734)	(16,551,257)
			2,799,728	3,314,958
<b>Overdrafts/overnight clearing line (OCL)</b>				
	e	1.93	1,686,308,481	1,690,949,363
Allowance for impairment loss			(1,683,304,554)	(1,687,155,356)
			3,003,927	3,794,007
<b>Special program</b>				
Thrift banks			1,526,864	3,428,063
Specialized bank			11,420,339	11,420,339
Rural/Cooperative banks			19,847,051	20,152,699
		0.04	32,794,254	35,001,101
Allowance for impairment loss			(32,652,704)	(34,859,551)
			141,550	141,550
Total		100.00	87,503,701,068	87,518,722,070
Allowance for impairment loss			(6,168,472,643)	(6,181,749,255)
Net			81,335,228,425	81,336,972,815
Accrued interest			2,781,520,284	2,612,803,607
Allowance for impairment loss - accrued interest			(782,943,041)	(782,918,994)
Net			1,998,577,243	1,829,884,613
<b>Total</b>			<b>83,333,805,668</b>	<b>83,166,857,428</b>
<b>Total local currency - loans and advances</b>				
			<b>87,503,701,068</b>	<b>87,518,722,070</b>
Allowance for impairment loss	f		<b>(6,168,472,643)</b>	<b>(6,181,749,255)</b>
Net			<b>81,335,228,425</b>	<b>81,336,972,815</b>
<b>Amount past due (Annex B)</b>				
			<b>6,190,692,920</b>	<b>6,205,607,864</b>
<b>Percent of past due to total local currency - loans and advances</b>				
			<b>7.07</b>	<b>7.09</b>

The Loans and Advances balance as of 31 December 2022 are restated as shown below:

	<b>Rediscounting Rural/Cooperative/Banks</b>
<b>Accrued interest - L&amp;A</b>	
31 December 2022, before adjustment	2,612,804,103
Deduct:	
Reapplication/adjustment of payment	(496)
<b>31 December 2022, as restated</b>	<b>2,612,803,607</b>

**a. Loans to PDIC** used as Financial Assistance (FA) to certain banks, pursuant to Section 23 of the PDIC Charter and Section 89-B of the BSP Charter, constitute 18.21 percent of the total loan portfolio.

On the PHP15.933 billion 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 BSP and PDIC clearly entered into an ordinary contract of loan; hence, its repayment is not meant to be sourced exclusively from those listed under Section 1.05 of the Loan Agreement. The PDIC filed an appeal dated 09 December 2019 before the Office of the President (OP). BSP filed its Comment on 17 January 2020. As of 31 December 2023, the appeal is still pending.

BSP and PDIC are coordinating to resolve this long-outstanding issue.

**b. IMF quota subscription** represents a non-interest bearing loan extended to the ROP to cover the quota increase of SDR1.024 billion, per IMF Resolution No. 66-2. The PHP68.352 billion PN, with a maturity date of 17 February 2021, was renewed until 17 February 2026.

**c. Emergency Loan Facility** are authorized under Section 84 of the BSP Charter in periods of emergency or imminent financial panic which threaten monetary and financial stability, or during normal periods to assist a bank experiencing serious liquidity issues brought about by unforeseen events or which though foreseeable, could not be prevented by the bank concerned. The grant of emergency loans is discretionary upon the MB and is intended only as a temporary measure to help a solvent bank overcome serious liquidity issues. 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 upon compliance with any additional conditions that the MB may prescribe. The emergency loans of PHP1.481 billion, which account for 1.69 percent of the total loan portfolio, decreased by PHP7.106 million from last year's level of PHP1.488 billion due to foreclosure of collateral, payment by way of dacion by PDIC and write-off of past due loan accounts from closed banks.

**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 PHP18.798 million, which account for 0.02 percent of the total loan portfolio, decreased by PHP1.068 million or 5.37 percent from last year's balance of PHP19.866 million due to collection, foreclosure, payment by way of dacion by PDIC and write-off of past due loan 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 check clearing shortfalls in the bank's DDA with the BSP. In 2023, a total of PHP242.600 million was availed of in the BSP's OCL Facility. All of which have been fully paid.

Nevertheless, the BSP's OCL Facility will be terminated on 06 March 2024 pursuant to BSP Circular No. 1180 dated 10 November 2023, to wit:

"2. Terminate the OCL of the Bangko Sentral since its limited purpose of addressing overdrafts arising from check clearing losses is covered by the Bangko Sentral's automated Intraday Settlement Facility (ISF) that the banks can use not only for the settlement of check clearing results but also for any other local currency real-time gross settlement."

f. **Allowance for Impairment Loss (AIL)** – of the total outstanding loans and advances which amounted to PHP87.504 billion, exclusive of accrued interest receivable, 7.05 percent or PHP6.168 billion is provided with AIL. The decrease in the balance from PHP6.182 billion to PHP6.168 billion was attributable to the reversal of AIL due to write-off of past due loan accounts from closed banks, collections on outstanding loans, and adjustments to loan impairment provisioning during the year.

#### 14. OTHER RECEIVABLES

	Note	2023	2022 (as restated)
<b>Foreign currency receivables</b>			
Non-IR foreign exchange assets	a	340,435,254,922	327,906,969,423
Accrued interest – Non-IR		1,699,879,501	1,712,050,550
Due from foreign banks/branches	b	29,709,594	29,648,883
Accrued income receivable		2,449,783	1,511,925
Accounts receivable – foreign	c	2,437,758	52,115,442
<b>Total</b>		<b>342,169,731,558</b>	<b>329,702,296,223</b>
<b>Local currency receivables</b>			
Accounts receivable -TOP	d	21,490,897,624	20,397,896,094
Sales contracts receivable	e	2,175,965,010	2,828,221,879
Accrued interest – notes receivable		53,418,033	54,973,972
Accrued interest - sales contracts receivable		24,713,493	24,794,229
Accounts receivable	f	2,887,928,084	3,096,826,339
Allowance for impairment – AR		(2,017,687,495)	(2,026,219,769)
		870,240,589	1,070,606,570
Notes receivable	g	12,766,730,850	13,066,730,850
Allowance for impairment – NR		(772,091,954)	(789,262,044)
		11,994,638,896	12,277,468,806
Receivables from staff/others		769,913,703	632,268,833
Due from local banks	h	1,031,284,304	10,319,013,648
Items under litigation	i	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	j	131,154,691	138,336,648
Allowance for impairment – lease receivable		(88,308,145)	(77,926,852)
		42,846,546	60,409,796
<b>Total</b>		<b>38,468,418,198</b>	<b>47,680,153,827</b>



	Balance, 31 December 2022, before adjustments	Adjustments	Balance, 31 December 2022 (as restated)
<b>Local currency receivable</b>			
<b>Accrued interest - sales contracts receivable</b>	<b>24,818,323</b>	<b>(24,094)</b>	<b>24,794,229</b>
- Recomputation and adjustment of interest on sales contract receivable		(24,094)	
<b>Accounts receivable</b>	<b>3,112,645,032</b>	<b>(15,818,693)</b>	<b>3,096,826,339</b>
- Adjustment of salaries and related accounts		32,622,298	
- Reimbursement of utility bills from tenants late booking of security deposits		10,535,586	
- Receivable from scholars due to breach of scholarship agreement		1,854,455	
- Capitalization of foreclosure and consolidation expenses to investment property and reapplication of prior year's payments		54,336	
- Adjustment of expenses (repairs and maintenance, bad debts, electricity, travel expenses, among others pertaining to prior year/s)		(489,892)	
- Restated from accounts receivable to lease receivable for presentation purposes		(60,395,476)	
<b>Allowance for impairment – AR</b>	<b>(2,026,285,596)</b>	<b>65,827</b>	<b>(2,026,219,769)</b>
- Adjustment of bad debts expense and related account		65,827	
<b>Lease receivable</b>	<b>77,941,173</b>	<b>60,395,475</b>	<b>138,336,648</b>
- Restated from accounts receivable to lease receivable for presentation purposes		60,395,475	
<b>Receivables from staff/others</b>	<b>755,302,551</b>	<b>(123,033,718)</b>	<b>632,268,833</b>
- Liquidation of prior year's cash advance		(123,033,718)	

**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 increase was primarily due to net revaluation gain of PHP15.255 billion and a net decline in investment activity of PHP2.727 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 – Foreign** pertains to unsettled transaction that represents temporary account used to record purchases and sales of securities traded. The decrease of 95.32 percent or PHP 49.677 million was due to change in price.

d. **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 PHP1.093 billion due to revaluation of the IMF holdings during the year amounting to PHP1.991 billion net of the NG's partial settlement of PHP898.076 million through the BTr.

e. **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:

	<b>Total 2023</b>	<b>Current</b>	<b>Non-Current</b>
<b>I. Auction/negotiated sales</b>			
a. BSP personnel	2,215,591	1,653,732	561,859
b. Non-BSP personnel/others	1,934,230,269	722,779,934	1,211,450,335
c. Restructured principal - Non-BSP	5,905,275	1,905,370	3,999,905
d. Restructured interest - Non-BSP	924,540	353,264	571,276
	<b>1,943,275,675</b>	<b>726,692,300</b>	<b>1,216,583,375</b>
<b>II. Sales under AMD - PFO housing program</b>			
a. BSP personnel	168,474,180	16,029,588	152,444,592
b. Non-BSP personnel/others	64,215,155	4,538,421	59,676,734
	<b>232,689,335</b>	<b>20,568,009</b>	<b>212,121,326</b>
<b>Total</b>	<b>2,175,965,010</b>	<b>747,260,309</b>	<b>1,428,704,701</b>

f. This account is composed mainly of the following:

- Trade and other receivables PHP1.327 billion, claims from closed financial institutions amounting to PHP1.320 billion, receivables from dacioned accounts and acquired assets amounting to PHP198.503 million.
- Recognition of receivable from NG amounting to PHP32.288 million due to the derecognition of Land at Fort San Pedro Drive, Iloilo City which formed part of the initial capitalization to BSP.
- Over remittance of dividends to NG for CY 2005 amounting to PHP0.255 million (already covered by MOA dated 27 January 2011 RE: Additional dividends for CYs 2003 to 2006).

g. **Notes receivable** is composed of the following:

	<b>Note</b>	<b>2023</b>	<b>2022</b>
PDIC	g.1	11,400,000,000	11,700,000,000
PDCP Development Bank, Inc.	g.2	1,366,730,850	1,366,730,850
		<b>12,766,730,850</b>	<b>13,066,730,850</b>

g.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. The PDIC was paid by LBP in the form of Certificate of Indebtedness (COI) payable in 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 2023 was reduced to PHP11.400 billion due to receipt in September 2023 of the LBP's payment of second annual amortization of COI for the principal amount of PHP0.300 billion.

g.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). The Notes Receivable 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.

**h. Due from local banks** pertains to the current deposit accounts. The decrease was due to transfer of PHP10.000 billion additional capitalization of the BSP from LBP-DDA.

**i. Items under litigation**

	<b>Note</b>	<b>2023</b>	<b>2022</b>
CSS-Financial Accounting Department	a	14,500,000	14,500,000
BSRU-Tacloban	b	2,499,920	2,499,920
BSRU-Legazpi	c	1,758,500	1,758,500
Total		18,758,420	18,758,420
Allowance for doubtful account		(4,258,420)	(4,258,420)
<b>Net</b>		<b>14,500,000</b>	<b>14,500,000</b>

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 BSRU-Tacloban arising from misappropriated cash on hand under Civil Case No. 97-11-219.

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

j. **Lease receivable** - This represents agreed amount of lease/rental of properties of BSP and PICC under lease contracts.

## 15. INVESTMENTS SECURITIES – DOMESTIC

	2023		2022 (as restated)	
	Face Value	Market Value	Face Value	Market Value
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>				
<b>BSP-Head Office</b>				
Treasury bills	174,553,500,000	172,218,169,774	174,553,520,000	172,568,579,802
Fixed rate treasury bonds*	1,052,617,377,607	1,024,168,726,139	1,167,793,571,129	1,092,192,148,262
<b>Financial Assets at Amortized Cost</b>				
Semi-annual FLT treasury bond	50,000,000,000	50,000,000,000	50,000,000,000	50,000,000,000
	1,277,170,877,607	1,246,386,895,913	1,392,347,091,129	1,314,760,728,064
Accrued interest		14,712,063,966		15,554,832,270
<b>Total</b>		<b>1,261,098,959,879</b>		<b>1,330,315,560,334</b>

\*Market value is presented net of passed-on cost/benefit.

a. Movement in investment securities is summarized as follows:

	2023	2022 (as restated)
<b>Beginning balance, January 1</b>	<b>1,314,760,728,064</b>	<b>1,431,604,767,095</b>
Add/(deduct):		
Purchases	420,032,018,767	512,463,549,713
Redemption	(548,043,071,229)	(485,435,929,319)
Marking to market	61,426,504,495	(102,104,632,233)
Accrual/reversal of discount	3,971,540,092	(28,268,307,344)
Net premium amortization	(8,724,533,446)	(15,283,911,362)
Sales	(28,788,103)	(1,613,863,495)
Amortized portion of passed-on benefit on premium	3,097,440,955	3,286,668,893
Amortized portion of passed-on cost on discount	(104,943,682)	112,386,116
	(68,373,832,151)	(116,844,039,031)
<b>Ending balance, December 31</b>	<b>1,246,386,895,913</b>	<b>1,314,760,728,064</b>

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

	90-180 Days	181-365 Days	More than 1 year	Total
Treasury bills	148,044,470,867	24,173,698,907	0	172,218,169,774
Fixed rate treasury bonds	86,546,443,067	52,201,708,543	885,420,574,529	1,024,168,726,139
Semi-annual FLT Treasury bond	0	0	50,000,000,000	50,000,000,000
<b>Total</b>	<b>234,590,913,934</b>	<b>76,375,407,450</b>	<b>935,420,574,529</b>	<b>1,246,386,895,913</b>

The balance of investment securities as of 31 December 2022 is restated below:

01 January 2022, before adjustment	1,454,846,771,582
Add:	
Passed-on benefit on premium of treasury bonds	(23,675,463,927)
Passed-on cost on discount – fixed rate treasury bonds	433,459,440
<b>01 January 2022, as restated</b>	<b>1,431,604,767,095</b>

31 December 2022, before adjustment	1,112,035,097,740
Add:	
Passed-on benefit on premium of treasury bonds	(20,388,795,033)
Passed-on cost on discount – fixed rate treasury bonds	545,845,555
<b>31 December 2022, as restated</b>	<b>1,092,192,148,262</b>
31 December 2022, before adjustment	172,538,337,802
Add:	
Amortization of discount on treasury bills FVOCI	30,242,000
<b>31 December 2022, as restated</b>	<b>172,568,579,802</b>

## 16. DUE FROM ADMINISTRATOR OF FUNDS

	Note	2023	2022
<b>Financial Accounting Department</b>			
Fidelity insurance	a	27,466,432,373	22,247,379,248
Currency insurance	b	6,001,250,563	6,000,469,223
Gold insurance		9,333,617	9,333,617
Industrial fund		2,515,220	2,515,220
Post-retirement benefit		2,217,370	2,227,370
		33,481,749,143	28,261,924,678
<b>Provident Fund Office</b>			
BSP Properties self-insurance fund	b	3,175,979,976	3,059,348,416
Post-retirement benefit	b	2,064,210,555	1,977,137,195
Directors' and officers' liability insurance fund	b	1,998,318,688	1,918,297,927
Car plan fund	c	1,880,825,228	1,246,825,228
Provident fund		325,033,307	468,167,427
		9,444,367,754	8,669,776,193
<b>Total</b>		<b>42,926,116,897</b>	<b>36,931,700,871</b>

a. The increase represents the additional set-up of capital reserves for Fidelity Insurance Fund taken from the BSP's net income for CY 2022 amounting to PHP5.219 billion as approved per MBR No. 657 dated 18 May 2023.

b. The increase represents income of the managed fund for the year 2023 in the amount of PHP284.507 million.

c. The increase represents the additional funding and replenishment for the Car Plan Fund in the amount of PHP634.000 million as approved per MBR No. 1836 dated 22 December 2022.

## 17. ACQUIRED ASSETS HELD FOR SALE

	2023	2022 (as restated)
Acquired assets held for sale	2,234,910,036	1,477,387,288
Allowance for market decline	(7,988,045)	(14,256,318)
<b>Net</b>	<b>2,226,921,991</b>	<b>1,463,130,970</b>
	<b>TCTs</b>	<b>Book Value</b>
Acquired assets held for sale, 31 December 2022, before adjustments	4,865	1,479,852,215

	<b>TCTs</b>	<b>Book Value</b>
Effect of restatement of prior period adjustments:		
Deduct: Late booking on the sale of acquired assets	0	(2,464,927)
<b>Acquired assets held for sale, 31 December 2022, as restated</b>	<b>4,865</b>	<b>1,477,387,288</b>

	<b>TCTs</b>	<b>Book Value</b>
Allowance for market decline, 31 December 2022, before adjustments	4,865	(14,277,674)
Effect of restatement of prior period adjustments:		
Deduct: Late booking on the sale of acquired assets	0	(21,356)
<b>Allowance for market decline, 31 December 2022, as restated</b>	<b>4,865</b>	<b>(14,256,318)</b>

Movement of acquired assets held for sale for the year 2023:

	<b>TCTs</b>	<b>Book Value</b>
Balance, 01 January 2023	4,865	1,477,387,288
Additions:		
Transfer from investment property	3,690	1,708,378,890
Net reclassification/adjustments	69	14,856,460
	<b>3,759</b>	<b>1,723,235,350</b>
Deductions:		
Sale/negotiation	2,259	384,681,323
Revert to investment property	2,545	581,031,279
	<b>4,804</b>	<b>965,712,602</b>
<b>Balance, 31 December 2023</b>	<b>3,820</b>	<b>2,234,910,036</b>

## 18. INVESTMENT PROPERTY

	<b>2023</b>	<b>2022 (as restated)</b>
Investment property	9,473,673,034	10,529,102,455
Allowance for market decline	(283,835,844)	(327,665,708)
<b>Net</b>	<b>9,189,837,190</b>	<b>10,201,436,747</b>

	<b>TCTs</b>	<b>Book Value</b>
Investment property, 31 December 2022, before adjustments	8,784	10,528,157,370
Effect of restatement of prior period adjustments:		
Add: Capitalization of foreclosure expenses	0	945,085
<b>Balance, 31 December 2022, as restated</b>	<b>8,784</b>	<b>10,529,102,455</b>

Movement of investment property for the year 2023:

	<b>TCTs</b>	<b>Book Value</b>
Balance, 01 January 2023	8,784	10,529,102,455
Additions:		
Reverted from acquired assets	2,545	581,031,279
Foreclosure	68	36,619,200
Reclassification/adjustments	258	137,135,232
Dacion en pago	36	13,147,277
	<b>2,907</b>	<b>767,932,988</b>
Deductions:		
Transferred to acquired assets	3,690	1,708,378,890
Reclassification/adjustment	20	114,983,519
	<b>3,710</b>	<b>1,823,362,409</b>
<b>Balance, 31 December 2023</b>	<b>7,981</b>	<b>9,473,673,034</b>

The fair market value of the investment properties are as follow:

	Note	Fair Market Value
AMD	a	22,407,447,820
DLC	b	2,764,167,000
<b>Net</b>		<b>25,171,614,820</b>

a. The fair market value of the investment properties under AMD as of 31 December 2023 excluding properties not for appraisal in view of their condition, which are generally composed of properties classified as inalienable, wherein the cost to administer the property outweighs the benefits of maintaining it in the inventory for future disposal.

b. The estimated fair value of properties under DLC as of 31 December 2023 with book value of PHP445.722 million comprising of four (4) properties of the First Sovereign Asset Management Inc. FAO The Manila Banking Corporation which were dacioned to BSP.

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

	Land And Building	Property Improvement	Computer Hardware	Plant And Equipment	In-Transit Items	In-Process/ Progress/ Under Construction Items	Total
<b>Cost</b>							
01 January 2023, as restated	15,395,720,912	7,678,950,221	1,523,296,525	15,909,472,220	318,854,546	1,700,196,973	42,526,491,397
Additions	0	515,379,425	25,442,063	952,898,394	284,745,574	193,313,944	1,971,779,400
Disposals	(32,288,100)	0	(38,115,296)	(21,459,253)	0	0	(91,862,649)
Reclassification	279,913,020	(16,230,213)	34,130,596	189,906,636	(603,600,120)	(295,880,039)	(411,760,120)
Adjustments	0	(101,475,585)	6,507,935	2,164,827	0	109,883,011	17,080,188
<b>31 December 2023</b>	<b>15,643,345,832</b>	<b>8,076,623,848</b>	<b>1,551,261,823</b>	<b>17,032,982,824</b>	<b>0</b>	<b>1,707,513,889</b>	<b>44,011,728,216</b>
<b>Accumulated Depreciation</b>							
01 January 2023, as restated	(4,611,325,027)	(5,347,032,309)	(1,178,298,481)	(10,309,365,882)	0	0	(21,446,021,699)
Depreciation for 2023	(224,575,405)	(318,400,837)	(97,597,125)	(1,078,712,579)	0	0	(1,719,285,946)
Disposals	0	0	34,805,661	21,391,140	0	0	56,196,801
Reclassification	0	(10,597,327)	23,944,778	143,532,938	0	0	156,880,389
Adjustments	(4,898,602)	9,420,799	(1,256,728)	(75,870,547)	0	0	(72,605,078)
<b>31 December 2023</b>	<b>(4,840,799,034)</b>	<b>(5,666,609,674)</b>	<b>(1,218,401,895)</b>	<b>(11,299,024,930)</b>	<b>0</b>	<b>0</b>	<b>(23,024,835,533)</b>
<b>Net Book Value, 31 December 2023</b>	<b>10,802,546,798</b>	<b>2,410,014,174</b>	<b>332,859,928</b>	<b>5,733,957,894</b>	<b>0</b>	<b>1,707,513,889</b>	<b>20,986,892,683</b>
<b>Net Book Value, 31 December 2022</b>	<b>10,784,395,885</b>	<b>2,331,917,912</b>	<b>344,998,044</b>	<b>5,600,106,338</b>	<b>318,854,546</b>	<b>1,700,196,973</b>	<b>21,080,469,698</b>

The BPFFE costs and accumulated depreciation balances as of 31 December 2022 are restated, as follows:

	Land And Building	Property Improvement	Computer Hardware	Plant And Equipment	In-Transit Items	In-Process/ Progress/ Under Construction Items	Total
<b>Cost</b>							
<b>31 December 2022, before adjustments</b>	<b>15,395,720,912</b>	<b>7,569,786,209</b>	<b>1,523,296,525</b>	<b>16,013,431,507</b>	<b>318,854,546</b>	<b>1,810,079,985</b>	<b>42,631,169,684</b>
Add/(deduct):							
Effect of restatement of prior period adjustments							
Transfer from Building Improvement - In Progress		109,883,012					109,883,012

	Land And Building	Property Improvement	Computer Hardware	Plant And Equipment	In-Transit Items	In-Process/ Progress/ Under Construction Items	Total
Transfer to Building Improvement						(109,883,012)	(109,883,012)
Disposal/Adjustment in Depreciation				(2,738,839)			(2,738,839)
Recognition/Reclassification of various tangible asset to Semi-expendable Properties				(101,000,869)			(101,000,869)
Donation/Disposal of BSP properties		(719,000)		(219,579)			(938,579)
	0	109,164,012	0	(103,959,287)	0	(109,883,012)	(104,678,287)
<b>31 December 2022, as restated</b>	<b>15,395,720,912</b>	<b>7,678,950,221</b>	<b>1,523,296,525</b>	<b>15,909,472,220</b>	<b>318,854,546</b>	<b>1,700,196,973</b>	<b>42,526,491,397</b>
<b>Accumulated Depreciation</b>							
<b>31 December 2022, before adjustments</b>	<b>(4,611,325,027)</b>	<b>(5,335,242,389)</b>	<b>(1,178,271,824)</b>	<b>(10,227,167,910)</b>	<b>0</b>	<b>0</b>	<b>(21,352,007,150)</b>
Add/(deduct):							
Effect of restatement of prior period adjustments							
Building Imp in use (95% Completed) but no depreciation recorded.		(11,789,920)					(11,789,920)
Disposal/Adjustment in Depreciation			(26,657)	634,963			608,306
Error on recording depreciation				(83,546,251)			(83,546,251)
Adjustment of residual value				713,316			713,316
	0	(11,789,920)	(26,657)	(82,197,972)	0	0	(94,014,549)
<b>31 December 2022, as restated</b>	<b>(4,611,325,027)</b>	<b>(5,347,032,309)</b>	<b>(1,178,298,481)</b>	<b>(10,309,365,882)</b>	<b>0</b>	<b>0</b>	<b>(21,446,021,699)</b>
<b>Net Book Value, 31 December 2022, as restated</b>	<b>10,784,395,885</b>	<b>2,331,917,912</b>	<b>344,998,044</b>	<b>5,600,106,338</b>	<b>318,854,546</b>	<b>1,700,196,973</b>	<b>21,080,469,698</b>

## 20. INTANGIBLES

	CSAS (as restated)	CSAS in process	Total (as restated)
<b>Cost</b>			
01 January 2023	1,621,379,876	624,397,943	2,245,777,819
Additions	67,491,666	244,754,624	312,246,290
Disposals/retirement	(322,758,572)	0	(322,758,572)
Reclassification	30,703,659	(13,620,134)	17,083,525
Adjustments	(5,771,427)	0	(5,771,427)
<b>Balance, 31 December 2023</b>	<b>1,391,045,202</b>	<b>855,532,433</b>	<b>2,246,577,635</b>
<b>Accumulated amortization</b>			
01 January 2023	(1,268,188,315)	0	(1,268,188,315)
Amortization for the year	(135,601,223)	0	(135,601,223)
Disposals/retirement	313,947,316	0	313,947,316
Reclassifications	(999,143)	0	(999,143)
Adjustments	2,686,003	0	2,686,003
<b>Balance, 31 December 2023</b>	<b>(1,088,155,362)</b>	<b>0</b>	<b>(1,088,155,362)</b>
<b>Net book value, 31 December 2023</b>	<b>302,889,840</b>	<b>855,532,433</b>	<b>1,158,422,273</b>
<b>Net book value, 31 December 2022, as restated</b>	<b>353,191,561</b>	<b>624,397,943</b>	<b>977,589,504</b>



The CSAS, CSAS in process and related accumulated amortization balances as of 31 December 2022 are restated as shown below:

	<b>CSAS</b>	<b>CSAS in process</b>	<b>Total</b>
<b><u>Cost</u></b>			
<b>31 December 2022, before adjustments</b>	<b>1,615,608,448</b>	<b>624,397,943</b>	<b>2,240,006,391</b>
Effect of restatement of prior period adjustments			
Add: Initial recognition of asset	5,771,428	0	5,771,428
	5,771,428	0	5,771,428
<b>31 December 2022, as restated</b>	<b>1,621,379,876</b>	<b>624,397,943</b>	<b>2,245,777,819</b>
<b><u>Accumulated Amortization</u></b>			
<b>31 December 2022, before adjustments</b>	<b>(1,268,092,124)</b>	<b>0</b>	<b>(1,268,092,124)</b>
Effect of restatement of prior period adjustments			
Add: Initial recognition of asset	(96,191)	0	(96,191)
	(96,191)	0	(96,191)
<b>31 December 2022, as restated</b>	<b>(1,268,188,315)</b>	<b>0</b>	<b>(1,268,188,315)</b>
<b>Net book value, 31 December 2022, as restated</b>	<b>353,191,561</b>	<b>624,397,943</b>	<b>977,589,504</b>

## 21. RIGHT-OF-USE-ASSET

<b>Land (New Clark City – NCC)</b>	<b>2023</b>	<b>2022 (as restated)</b>
<b><u>Cost</u></b>		
Beginning balance, 01 January	680,358,170	680,358,170
<b>Total</b>	<b>680,358,170</b>	<b>680,358,170</b>
<b><u>Accumulated Depreciation</u></b>		
Beginning balance, 01 January	(27,214,327)	(13,607,163)
Depreciation for the year	(13,607,164)	(13,607,164)
<b>Total</b>	<b>(40,821,491)</b>	<b>(27,214,327)</b>
<b>Net Book Value, 31 December</b>	<b>639,536,679</b>	<b>653,143,843</b>

The contract between the BSP and Bases Conversion Development Authority (BCDA) falls under the definition of a lease under PFRS 16 and is recorded under the ROU account. This pertains to the 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 BSP paid advance rent payments to the BCDA in 2021, totaling PHP77.165 million. This payment represents the advance rental payment for the fourth and fifth years of the lease agreement.

At the commencement date, the BSP measured the ROU asset and lease liability at the present value of an annuity due of the lease payments that were not paid at that date. The lease payments were discounted using the bank average lending rates published by the Department of Economic Research for the past ten years, as the interest implicit in the lease cannot be readily determined.

Commencing on the effective date, 15 January 2021, specified in Section 18 of the Contract, the lease shall be in effect for fifty (50) years. The property is classified as Institutional Land Use. According to Section 2 of the Lease Agreement, the BSP Complex at NCC shall consist of the following:

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

## 22. INVENTORIES

	Note	2023	2022
SPC inventories	a	9,389,726,007	15,843,749,805
Gold for refining	b	7,996,127,431	7,554,583,062
Work-in-process	c	1,653,826,045	1,123,684,034
Currency inventory	d	126,877,930	353,551,139
Gold for domestic sale		34,424,532	34,424,531
Silver for refining	b	11,501,319	4,177,482
Silver for domestic sale		388,052	388,052
<b>Total</b>		<b>19,212,871,316</b>	<b>24,914,558,105</b>

- a. The plant inventory declined as FG deducted from the inventory and delivered to CPID was higher than the additional FG inventory received from production and outsource. Moreover, the CSPSS sold more products this year, which also contributed to the decrease of FG inventory. Coincidentally, the rise in the consumption of RM also attributed to the reduced level of the above SPC Inventories.
- b. The increase in gold deliveries across all gold-buying stations led to a rise in Gold and Silver for refining.
- c. Work-in-process inventory rose as the 2023 production of semi-finished goods exceeded the last year's level of production.
- d. The decline in Currency Inventory may be attributed to CSPSS's delivery shortfall from the MBR No. 253 dated 23 February 2023; particularly for P100 and P50. To mitigate the impact of supply constraints for the said denominations, currency management units utilize Brilliant Uncirculated Series for P100 and P50, accelerated the withdrawals for P200, P20 banknotes, and P20 coins.

## 23. MISCELLANEOUS ASSETS

	Note	2023	2022 (as restated)
Creditable tax certificates	a	2,121,169,632	2,121,169,632
Paintings and sculptures		1,545,812,859	1,544,885,499
Other supplies		637,695,532	619,261,773
Due from NG	b	274,096,394	463,884
Stocks and other securities	d	151,040,196	501,676,585
Deposits - utilities and services		53,636,009	53,654,399
Prepaid expenses	c	30,844,751	82,010,890
Assets for disposal		25,943,397	49,984,086
Input tax		23,088,196	11,405,280
Numismatic collections on hand		21,799,523	21,799,523
Miscellaneous assets		11,529,895	12,862,641
Semi-expendable property		8,985,774	41,694,985
Due from PICC		8,837,814	8,681,000
Withholding tax at source		5,036,826	11,280,412
Commemorative notes and coins		506,574	689,784
Land under usufruct		82,275	82,275
Items for exhibit		75,002	75,002
Checks and other cash items		26,270	32,190
Demonetized commemorative coins		54	54
Due from DPWH	e	0	15,000,000
Deferred charges	f	0	0
<b>Total</b>		<b>4,920,206,973</b>	<b>5,096,709,894</b>

	Balance, 31 December 2022 before adjustments	Adjustments	Balance, 31 December 2022 (as restated)
<b>Prepaid expenses</b>	<b>627,964,446</b>	<b>(545,953,556)</b>	<b>82,010,890</b>
- Passed on cost on discount – treasury bonds		(545,845,556)	
- Closure of prepaid expense due to utilization of gift vouchers		(108,000)	
<b>Deferred charges</b>	<b>46,299,200</b>	<b>(46,299,200)</b>	<b>0</b>
- Initial recognition of assets/liabilities in compliance with PFRS 16		(46,299,200)	
<b>Semi-expendable property</b>	<b>67,290,781</b>	<b>(25,595,796)</b>	<b>41,694,985</b>
- Reclassification of various tangible asset to semi-expendable properties		(25,595,796)	
<b>Assets for disposal</b>	<b>51,704,195</b>	<b>(1,720,109)</b>	<b>49,984,086</b>
- Reclassification from asset for disposal to semi-expendable property		(1,720,109)	
<b>Other supplies</b>	<b>619,926,614</b>	<b>(664,841)</b>	<b>619,261,773</b>
- Utilization of supplies		(668,923)	
- Clean-up of accounts		4,082	
<b>Due from NG</b>	<b>0</b>	<b>463,884</b>	<b>463,884</b>
- Advances to PS-DBM for purchase of supplies		463,884	
<b>Miscellaneous assets</b>	<b>12,907,473</b>	<b>(44,832)</b>	<b>12,862,641</b>
- Adjustments due to error in recording of miscellaneous asset and income accounts relative to capitalization of Investment Property		(12,264)	
- Cancellation of checks for payment to suppliers		(32,568)	
<b>Withholding Tax at Source</b>	<b>11,257,753</b>	<b>22,659</b>	<b>11,280,412</b>
- Late booking of collection from rentals of BSP facilities		22,659	

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 from the suppliers of blister packaging, wooden medal boxes, and clear plastic capsules for Papal coins.

b. This account refers to unutilized portion of advances to Procurement Services – Department of Budget and Management which mostly pertains to the procurement of Microsoft 365 Software subscription.

c. The decrease is due to recognition of expenses on the taxes withheld from purchases of short-term government securities upon maturity.

d. Stocks and other securities composed of the following:

Particulars	Amount
PICCI investments	150,437,500
Proprietary membership share	601,000
Telephone companies' stocks	1,696
<b>Total</b>	<b>151,040,196</b>

The decrease in the account is mainly due to the maturity of investment in LBP – BTr's retail treasury bond amounting to PHP350.000 million this CY 2023.

e. This represents the full liquidation of funds for the slope protection project at the BSP NLRO.

f. The contract between the BSP and BCDA falls under the definition of a lease under PFRS 16. This contract conveys to the BSP the right to control the use of an identified asset for a period of time in exchange for consideration. The deferred charges previously recorded relate to advance rent payments made to BCDA in 2021, which have since been reclassified as ROU assets (Note 21).

## 24. SHORT-TERM FOREIGN CURRENCY DEPOSITS

	Note	2023	2022
National Government	a	144,759,519,246	86,450,571,850
Other entities	b	4,751,447,584	2,790,750,000
		149,510,966,830	89,241,321,850
Accrued interest		269,987,062	66,217,470
<b>Total</b>		<b>149,780,953,892</b>	<b>89,307,539,320</b>

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

<b>TOP – Foreign Currency Deposit (FCD)</b>	<b>2023</b>	<b>2022</b>
<b>National Government</b>		
US Dollar (USD) / Special Accounts	137,804,005,413	77,596,721,823
Japanese Yen (JPY) Account	6,865,644,066	8,847,636,786
Euro (EUR) Account	84,840,193	5,704,650
Chinese Yuan (CNY) Account	5,029,574	482,706
Canadian Dollar (CAD) Account	0	25,885
<b>Total</b>	<b>144,759,519,246</b>	<b>86,450,571,850</b>

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:

	<b>Note</b>	<b>2023</b>	<b>2022</b>
<b>Other Entities</b>			
<b>Financial Institutions</b>			
Time Deposits			
- Bank of America NT & S.A. Manila		3,325,080,000	2,790,750,000
<b>GOCCs</b>			
- Power Sector Assets and Liabilities Management Corporation (PSALM)	b.1	1,418,751,382	0
<b>Special Foreign Deposit</b>			
- Agence Francaise de Developpement (AFD)	b.2	7,616,202	0
<b>Total</b>		<b>4,751,447,584</b>	<b>2,790,750,000</b>

b.1 The foreign currency deposit account of PSALM has been inactive since 2018 until 29 March 2023. The account was reactivated this year relative to PSALM's USD Purchase Program to purchase FX in spot and staggered basis to partially cover its outstanding obligation maturing in December 2024.

b.2 This refers to the grant from the AFD entered by the BSP, spearheaded by the Financial Inclusion Office (FIO) on 31 August 2021 for a five (5)-year technical assistance program on financial inclusion with a maximum aggregate amount of €700,000 and is expected to close by June 2026. This is in line with the priorities under the National Strategy for Financial Inclusion (NSFI) and the BSP's Digital Payments Transformation Roadmap 2020-2023. On 26 April 2023, the BSP received the amount of USD164.000 thousand or PHP9,157 million. This pertains to the 1st drawdown (equivalent to €150,000) from AFD.

## 25. BONDS PAYABLE

	<b>Note</b>	<b>2023</b>	<b>2022</b>
Bonds due 2027	a	22,167,200,000	22,326,000,000
Bonds due 2097		5,541,800,000	5,581,500,000
		27,709,000,000	27,907,500,000
Discount on bonds		(88,215,015)	(89,404,053)
		27,620,784,985	27,818,095,947
Accrued interest		99,290,583	100,001,875
<b>Total</b>		<b>27,720,075,568</b>	<b>27,918,097,822</b>

a. These are “Yankee Bonds” issued by BSP on 24 June 1997. However, bonds worth USD5.950 million or PHP0.292 billion were acquired by BSP in the open market. The bonds acquired are recorded as investment in “Foreign Currency denominated securities - Non-IR FX Assets” in line with the terms and conditions of the BSP Yankee Bonds.

## 26. ALLOCATION OF SPECIAL DRAWING RIGHTS

	2023	2022
Allocation of SDRs	207,889,500,057	208,453,340,007
Accrued interest	1,444,404,819	956,926,571
<b>Total</b>	<b>209,333,904,876</b>	<b>209,410,266,578</b>

The allocation of SDR pertains to the liability to the IMF as a result of the creation of SDR as reserve assets. It is also a low-cost way of adding to the 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 and will only become due upon demand by the IMF or when the ROP ceases to be a member of the IMF.

## 27. OTHER LIABILITIES

	Note	2023	2022 (as restated)
<b>Foreign currency financial liabilities</b>			
Accounts payable		3,848,138,059	2,161,853,974
Accrued expenses		400,832,722	790,913,282
Other financial liabilities		753,520,250	1,255,139,922
<b>Total</b>		<b>5,002,491,031</b>	<b>4,207,907,178</b>

<b>Local currency non-financial liabilities</b>			
Retirement benefits obligation		5,152,525,594	5,700,721,235
Lease liability	a	718,676,672	677,913,720
Deferred tax liability		8,345,622	8,331,426
Miscellaneous liabilities		8,260,662,058	9,969,803,814
Accounts payable		2,953,038,106	4,753,505,327
Taxes payable		3,932,326,409	3,473,960,180
Accrued expenses		68,580,084	63,724,734
Other local currency liabilities		1,306,717,459	1,678,613,573
<b>Total</b>		<b>14,140,209,946</b>	<b>16,356,770,195</b>

	Balance, 31 December 2022 before adjustments	Adjustments	Balance, 31 December 2022 (as restated)
<b>Foreign currency financial liabilities</b>			
<b>Accrued expenses</b>	<b>851,784,719</b>	<b>(60,871,437)</b>	<b>790,913,282</b>
- Overaccrual of management and custody fees for year 2022		(60,871,437)	
<b>Local currency non-financial liabilities</b>			
<b>Lease liability</b>	<b>0</b>	<b>677,913,720</b>	<b>677,913,720</b>
- Initial recognition and measurement		677,913,720	
<b>Miscellaneous liabilities</b>			
<b>Accounts payable</b>	<b>3,871,043,047</b>	<b>882,462,280</b>	<b>4,753,505,327</b>

	Balance, 31 December 2022 before adjustments	Adjustments	Balance, 31 December 2022 (as restated)
<b>Accruals</b>			
- Prior year's expenses (security services, professional fees, CSAS, anti-counterfeiting, among others)		624,925,085	
- Personnel benefits (salary and other fringe benefits, overtime, medical reimbursements, among others)		146,942,871	
- Expenses (repairs and maintenance - building, membership fees, periodicals, consultants, among others)		107,570,033	
- Purchases related to CSAS		5,771,427	
Liquidation of prior year's cash advances		17,932,080	
Excess payments from buyers related to penalties and interest		449,096	
Reapplication/adjustment of payments/late booking of sale of acquired assets		(20,166,447)	
Buyer's share of property expenses (i.e., RPT, Insurance and others)		(586,395)	
Forfeited bid bonds		(375,470)	
<b>Taxes payable</b>	<b>3,423,063,710</b>	<b>50,896,470</b>	<b>3,473,960,180</b>
- Effect of recording prior year expenses with related tax		50,896,470	
<b>Other local currency liabilities</b>	<b>22,068,183,018</b>	<b>(20,389,569,445)</b>	<b>1,678,613,573</b>
<b>Deferred Income</b>			
- Passed-on benefit on premium – fixed rate treasury bonds		(20,388,795,033)	
<b>Unrealized profit on assets sold</b>			
- Adjustment on sale of acquired asset		(641,499)	
<b>Deferred VAT</b>			
- Adjustments relative to the settlement of lost property items		(87,969)	
- Adjustments relative to collection of rentals on BSP properties		(44,944)	

#### a. Lease liability

The maturity details of BSP's lease liability corresponding to the leased assets as disclosed in Note 21 and its corresponding future interest expense are:

	Not later than one year	Later than one year but not later than five years	Later than five years	<b>Total</b>
Lease Payments	0	119,606,268	2,461,325,198	2,580,931,466
Interest Expense	43,214,028	185,609,488	1,633,431,279	1,862,254,795
<b>Total</b>	<b>43,214,028</b>	<b>305,215,756</b>	<b>4,094,756,477</b>	<b>4,443,186,261</b>

## 28. DEPOSITS

	Note	2023	2022
<b>Government deposits</b>			
Short-term		227,193,607,363	336,376,387,603
Accrued interest		7,609,099,339	8,923,720,606
<b>Total</b>	<b>a</b>	<b>234,802,706,702</b>	<b>345,300,108,209</b>
<b>Demand Deposits</b>			
Banks/NBQBs-reserve deposits		1,379,508,443,818	1,293,527,956,841
Secured settlement account		162,804,550,006	149,584,413,665
Others		33,896,534,845	30,626,242,352
<b>Total</b>	<b>b</b>	<b>1,576,209,528,669</b>	<b>1,473,738,612,858</b>
<b>IMF and other financial institutions</b>			
Due to IMF	<b>c</b>	103,758,214,494	100,157,863,033

	Note	2023	2022
International financial institutions		103,635,246	99,992,874
Due to other foreign banks		2,391,323	2,391,323
<b>Total</b>		<b>103,864,241,063</b>	<b>100,260,247,230</b>

**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 SDR1.395 billion as of 31 December 2023.

The balance of IMF's security holdings (SDR88.300 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 2023, the Peso depreciated by PHP4.969 against the SDR, from the peso/SDR exchange rate of PHP70.116/SDR as of 30 April 2022 to PHP75.085/SDR as of 30 April 2023.



The peso depreciation resulted in a revaluation loss of PHP2.475 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 2023, the IMF Summary Statement of Position shows that the total IMF currency holdings aggregated to PHP110.357 billion consisting of the balances of “Account Nos. 1 and 2 of PHP104.242 billion, security holdings of PHP6.599 billion and accrued revaluation gain of PHP0.484 billion (covering the period May 2023 to December 2023). This valuation adjustment was booked as of 31 December 2023.

## 29. BILLS PAYABLE

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

	2023	2022
BSP securities	635,941,000,000	480,000,000,000
Discount on bills payable - domestic	(2,425,019,117)	(1,145,260,574)
<b>Total</b>	<b>633,515,980,883</b>	<b>478,854,739,426</b>

## 30. CURRENCY IN CIRCULATION

	2023	2022 (as restated)
Currency notes issued	2,725,706,554,740	2,683,840,984,890
Cash on hand - notes	(353,670,602,120)	(411,638,485,490)
<b>Net notes in circulation</b>	<b>2,372,035,952,620</b>	<b>2,272,202,499,400</b>
Currency coins issued	76,911,041,304	66,809,367,160
Cash on hand - coins	(1,937,693,890)	(1,594,734,806)
<b>Net coins in circulation</b>	<b>74,973,347,414</b>	<b>65,214,632,354</b>
<b>Currency in circulation, 31 December</b>	<b>2,447,009,300,034</b>	<b>2,337,417,131,754</b>

		Currency notes issued
<b>Currency issued</b>		
Balances, 31 December 2022, before adjustments		2,683,840,980,430
Add:		
Adjustment in mutilated currency		4,460
<b>Balances, 31 December 2022, as restated</b>		<b>2,683,840,984,890</b>

Inventory of Currency Issued				
	January 1 2023	Requisitions from CAIG	Retirement	December 31 2023
<b>Currency issued</b>				
Notes	2,683,840,984,890	814,569,127,000	(772,703,557,150)	2,725,706,554,740
Coins	66,809,367,160	10,166,159,150	(64,485,006)	76,911,041,304
	<b>2,750,650,352,050</b>	<b>824,735,286,150</b>	<b>(772,768,042,156)</b>	<b>2,802,617,596,044</b>
<b>Cash on hand</b>				
Notes				353,670,602,120
Coins				1,937,693,890
Total Held in PCDSS and ROSS				355,608,296,010
<b>Total currency in circulation</b>				<b>2,447,009,300,034</b>

Details of currency in circulation are as follows:

Denomination	Quantity (No. of Pcs)		Amount	
	2023	2022 (as restated)	2023	2022 (as restated)
Notes	1,000	1,917,888,055	1,800,727,125	1,800,727,125,000
	500	580,489,549	594,054,053	297,027,026,500
	200	106,877,489	44,866,450	8,973,290,000
	100	960,931,626	1,096,865,149	109,686,514,900
	50	697,750,946	811,146,042	40,557,302,100
	20	576,506,771	760,730,545	15,214,610,900
			2,372,019,172,620	2,272,185,869,400
Commemorative Notes	3,356	3,326	16,780,000	16,630,000
			2,372,035,952,620	2,272,202,499,400
Coins	20 – Piso	999,746,611	628,506,104	19,994,932,220
	10 – Piso	1,506,050,907	1,412,137,079	15,060,509,070
	5 - Piso	4,588,500,300	4,421,336,064	22,942,501,500
	1 - Piso	13,024,994,059	12,585,197,477	13,024,994,059
	25 - Sentimo	12,593,612,827	12,150,932,039	3,148,403,207
	10 - Sentimo	3,791,196,174	3,791,567,892	379,119,617
	5 - Sentimo	3,715,989,513	3,605,966,391	185,799,476
	1 - Sentimo	89,513,646	81,260,675	895,137
			74,737,154,286	64,981,371,392
Commemorative coins	1,020,881	994,924	236,193,128	233,260,962
			74,973,347,414	65,214,632,354
<b>Total currency in circulation, 31 December 2023</b>			<b>2,447,009,300,034</b>	<b>2,337,417,131,754</b>

The details of currency in circulation as of 31 December 2022 are restated as follows:

Denomination	QUANTITY (No. of Pcs)		AMOUNT	
	2022 (before restatement)	Adjustment	2022 (before restatement)	Adjustment
Notes	1,000	5	1,800,727,120	5,000
	500		594,054,053	
	200		44,866,450	
	100	(6)	1,096,865,155	(600)
	50		811,146,042	
	20	3	760,730,542	60
			2,272,185,864,940	4,460
Commemorative notes	3,326		16,630,000	
			2,272,202,494,940	4,460
Coins	20 – Piso		628,506,104	
	10 – Piso		1,412,137,079	
	5 – Piso		4,421,336,064	
	1 – Piso		12,585,197,477	
	25 – Sentimo		12,150,932,039	
	10 – Sentimo		3,791,567,892	
	5 – Sentimo		3,605,966,391	
	1 – Sentimo		81,260,675	
			64,981,371,392	
Commemorative coins	994,924		233,260,962	
			65,214,632,354	
<b>Total currency in circulation, 31 December, as restated</b>			<b>2,337,417,127,294</b>	<b>4,460</b>

### 31. REVALUATION OF FOREIGN CURRENCY ACCOUNTS

	2023	2022
<b>Unrealized gains on FX rate fluctuations</b>		
Beginning balance, January 1	792,548,512,896	422,164,668,873
Deduct:		
Unrealized gains/(losses) for the year (net of realized transactions)	(78,865,294,286)	370,383,844,023
Ending balance, December 31	713,683,218,610	792,548,512,896

	2023	2022
<b>Unrealized gains on price fluctuations</b>		
Beginning balance, January 1	(103,303,507,612)	195,150,706,108
Add/(deduct):		
Unrealized gains/(losses) for the year (net of realized transactions)	190,375,473,004	(298,426,442,632)
Impairment loss	(758,718)	(27,771,088)
Ending balance, December 31	87,071,206,674	(103,303,507,612)
<b>Unrealized gains on FX rate and price fluctuations, December 31</b>	<b>800,754,425,284</b>	<b>689,245,005,284</b>

## 32. CAPITAL ACCOUNTS

	Note	2023	2022 (as restated)
Capital	a	60,000,000,000	60,000,000,000
Surplus	b	54,634,969,790	83,623,301,733
Unrealized gains/(losses) on investments in			
Government securities		(113,064,900,922)	(174,484,899,691)
Stocks and other securities		(7,803)	(7,803)
	c	(113,064,908,725)	(174,484,907,494)
Capital Reserves	d	140,957,670,070	140,673,173,049
Managed Funds			
Fidelity insurance fund		27,466,432,373	27,466,432,373
Currency insurance fund		6,001,250,563	6,000,469,223
BSP Properties self-insurance fund		3,175,979,976	3,059,348,416
Retirement benefit fund		2,066,427,925	1,979,364,565
Directors'/officers' liability		1,998,318,688	1,918,297,927
		40,708,409,525	40,423,912,504
Other Fund			
Fluctuations in price of gold		42,726,789,388	42,726,789,388
Fluctuations in FX rate	e	26,568,597,219	26,568,597,219
BSP Complex- New Clark City Project	f	25,272,401,000	25,272,401,000
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	100,249,260,545
<b>Total</b>		<b>142,527,731,135</b>	<b>109,811,567,288</b>

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 2022 is restated as follows:

Surplus, 1 January 2022	38,433,693,006
Deduct:	
Adjustment to surplus	
Effect of prior period adjustments to income and expense	(106,042,293)
Effect of CY 2022 transactions	(17,330,645,534)
<b>Total adjustments to surplus</b>	<b>(17,436,687,827)</b>
<b>Balance at 31 December 2022 before net income</b>	<b>20,997,005,179</b>
Net income for the period, before adjustments	63,730,856,264
Deduct:	
Effect of CY 2022 adjustments to income and expenses	(1,104,559,710)
<b>Net income for the period, as restated</b>	<b>62,626,296,554</b>
<b>Surplus, 31 December 2022, as restated</b>	<b>83,623,301,733</b>

The details of restated prior period adjustments on income and expenses and transactions for CY 2022 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:

	<b>2023</b>	<b>2022</b>
Beginning balance	(174,484,907,494)	(72,380,275,261)
Effect of marking-to-market of investments in government securities, stocks and other securities	61,419,998,769	(102,104,632,233)
<b>Ending balance</b>	<b>(113,064,908,725)</b>	<b>(174,484,907,494)</b>

d. The BSP booked the income earned on invested managed funds for the year 2023 in the amount of PHP284.497 million.

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

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

### 33. INTEREST INCOME AND INTEREST EXPENSES

	<b>2023</b>	<b>2022 (as restated)</b>
<b>Interest income from financial accounts</b>		
Interest income from foreign currency financial accounts		
Foreign investment	95,411,806,004	83,924,377,046
Overnight investment repo pool	21,850,375,179	6,597,533,291
Other foreign currency receivables	11,255,606,105	9,930,109,810
Deposits with foreign banks	10,331,130,904	3,473,859,884
IMF SDR	8,026,791,895	2,525,105,954
Gold deposits	204,462,492	97,093,588

	2023	2022 (as restated)
Cash collateral paid	19,643,726	6,223,934
Due from/(to) broker	11,146,274	2,109,027
Interest income – reverse repurchase agreement	197,945	0
	147,111,160,524	106,556,412,534
Interest income from local currency financial accounts		
Government securities	49,964,796,101	45,402,875,123
Other receivables	398,217,869	396,576,964
Overnight lending account	234,884,445	9,120,257
Loans and advances	179,357,169	869,763,811
	50,777,255,584	46,678,336,155
<b>Total</b>	<b>197,888,416,108</b>	<b>153,234,748,689</b>

	Balance, 31 December 2022, before adjustments	Adjustments	Balance, 31 December 2022, (as restated)
<b>Interest income from local currency financial accounts</b>			
<b>Government securities</b>	<b>45,372,633,123</b>	<b>30,242,000</b>	<b>45,402,875,123</b>
- Amortization of treasury bills – FVOCI		30,242,000	
<b>Loans and advances</b>	<b>869,768,643</b>	<b>(4,832)</b>	<b>869,763,811</b>
- Expenses incurred capitalized to foreclosed investment property		(5,052)	
- Reapplication/adjustment of loan payments		220	
<b>Other receivables</b>	<b>394,462,288</b>	<b>2,114,676</b>	<b>396,576,964</b>
- Adjustment on sale/application of payment of acquired assets		2,185,725	
- Setup of excess payments		(60,768)	
- Adjustment of accrued interest receivable		(11,436)	
- Adjustment of interest income		1,155	

	2023	2022 (as restated)
<b>Interest expense from financial accounts</b>		
Interest expense on foreign currency financial accounts		
Short term deposits	8,367,573,623	1,554,796,331
Allocation of IMF SDR	7,925,506,675	2,502,842,935
Bonds payable	3,001,407,456	2,943,480,542
Repurchase agreement	587,345,981	0
Cash collateral received	9,788,710	10,766,616
	19,891,622,445	7,011,886,424
Interest expense on local currency financial accounts		
Government deposits	46,482,599,962	30,524,063,932
Deposits of banks and other financial institutions	41,203,796,262	23,534,580,126
Bills payable	38,300,318,441	15,095,867,443
Securities sold under agreements to repurchase	22,408,048,491	9,467,708,333
Lease liability	40,762,952	38,450,899
	148,435,526,108	78,660,670,733
<b>Total</b>	<b>168,327,148,553</b>	<b>85,672,557,157</b>

The significant increase in the interest expense on local currency financial accounts – government deposits was mainly attributed to the increase in incurred interest of BSP over its deposit facilities and the upward trends in the average weekly Weighted Average Interest Rates and the effective ODF rates.

	Balance, 31 December 2022, before adjustments	Adjustments	Balance, 31 December 2022 (as restated)
<b>Interest expense on local currency financial accounts</b>			
<b>Lease liability</b>	<b>0</b>	<b>38,450,899</b>	<b>38,450,899</b>
- Initial recognition of interest expense			
- lease liability		38,450,899	

### 34. OTHER INCOME

	Note	2023	2022 (as restated)
<b>Printing, minting and refinery income/(loss)</b>		<b>(8,593,528)</b>	<b>136,147,583</b>
<b>Fees – local</b>			
Banking supervision/clearing/license fees		8,128,231,460	7,379,306,840
Transaction fee – PhilPaSS		178,953,011	0
Penalties and late charges		153,252,817	769,186,388
Processing and filing fees		37,643,500	39,013,667
Others		437,480,869	412,973,691
		<b>8,935,561,657</b>	<b>8,600,480,586</b>
<b>Other income</b>			
Amortized passed-on benefit on premium – government securities	a	3,097,475,837	3,371,491,446
Income on acquired assets		1,059,950,548	744,490,077
Rental on building and facilities		459,969,791	322,519,919
Rental on acquired assets		1,758,378	1,809,657
Other miscellaneous income		646,899,738	702,280,454
		<b>5,266,054,292</b>	<b>5,142,591,553</b>
<b>Other operating income</b>		<b>14,193,022,421</b>	<b>13,879,219,722</b>

a. Passed-on benefits/costs on premium/discount refer to amounts transferred by sellers in the secondary market as additional cost of the Government Securities. These benefits/costs originate from income taxes previously withheld in the primary market for the premium/discount on Government Securities. They are not tax impositions on BSP's Government Securities transactions in the secondary market. Instead, they represent a pricing mechanism in the secondary market that allows sellers to recoup a portion of additional costs incurred in the primary market.

	31 December 2022, before adjustments	Adjustments	31 December 2022, (as restated)
<b>Fees – Local</b>			
<b>Banking supervision/clearing/license fees</b>	<b>7,379,277,840</b>	<b>29,000</b>	<b>7,379,306,840</b>
- Under booking of banking fees		29,000	
<b>Penalties and late charges</b>	<b>761,269,767</b>	<b>7,916,621</b>	<b>769,186,388</b>
- Reapplication/adjustment of payments (i.e., loan, rental, acquired asset, penalties, supervisory fees, and others)		4,715,020	
- Accrual of prior year's income from penalties (i.e., late deliveries, reporting, payments, and others)		3,201,601	
<b>Processing and filing fees</b>	<b>38,310,667</b>	<b>703,000</b>	<b>39,013,667</b>

	31 December 2022, before adjustments	Adjustments	31 December 2022, (as restated)
- Accrual of prior year's income from processing and filing fees		703,000	
<b>Others</b>	<b>412,974,601</b>	<b>(910)</b>	<b>412,973,691</b>
- Over booking of handling fees		(910)	
<b>Other Income</b>			
<b>Income on acquired assets</b>	<b>740,283,306</b>	<b>4,206,771</b>	<b>744,490,077</b>
- Late booking of sale of acquired assets		3,545,298	
- Reapplication/adjustment of payments (i.e., loan, rental, acquired asset, penalties, supervisory fees, and others)		661,473	
<b>Rental on acquired assets</b>	<b>1,800,657</b>	<b>9,000</b>	<b>1,809,657</b>
- Adjustment on application of rental payments		9,000	
<b>Rental on building and facilities</b>	<b>321,967,415</b>	<b>552,504</b>	<b>322,519,919</b>
- Collection of prior year's income from rental of BSP facilities		552,504	
<b>Other miscellaneous income</b>	<b>702,951,073</b>	<b>(670,619)</b>	<b>702,280,454</b>
- Reapplication/adjustment of payments/refund (i.e., loan, rental, acquired asset, bid docs, disallowances and others)		124,321	
- Liquidation of prior year's cash advances		66	
- Adjustment of AR set-up on settlement of lost property items		(680,542)	
- Adjustment of related accounts and reclassification to/(from) BPFEE, other assets and expense		(110,000)	
- Cancelled procurement/refund of bid documents		(4,464)	

### 35. IMPAIRMENT ON FINANCIAL ACCOUNTS

	2023	2022 (as restated)
<b>Impairment on foreign currency financial accounts</b>		
Foreign investment	20,492,153	0
Due from foreign banks	1,559,144	1,927,333
Overnight investment – repo pool	2,466	416
	22,053,763	1,927,749
<b>Impairment on local currency financial accounts</b>		
Accounts receivable	10,862,707	1,455,365
Notes receivable	7,596,644	61,089,809
Loans and advances	648,670	4,239,995
Lease receivable	132,497	7,162,012
	19,240,518	73,947,181
<b>Total</b>	<b>41,294,281</b>	<b>75,874,930</b>

	31 December 2022, before adjustments	Adjustments	31 December 2022 (as restated)
<b>Impairment on local currency financial accounts</b>			
<b>Loans and advances</b>	<b>4,119,995</b>	<b>120,000</b>	<b>4,239,995</b>
- Reapplication/adjustment of payments			

	31 December 2022, before adjustments	Adjustments	31 December 2022 (as restated)
(i.e., loan)		120,000	
<b>Accounts receivable</b>	<b>1,508,765</b>	<b>(53,400)</b>	<b>1,455,365</b>
- Overbooking of expenses, penalties, fees & commissions		(53,400)	

### 36. CURRENCY PRINTING AND MINTING COST

	2023	2022
Notes	8,623,376,002	8,201,621,103
Coins	4,629,788,635	3,909,271,322
<b>Total</b>	<b>13,253,164,637</b>	<b>12,110,892,425</b>

### 37. OPERATING EXPENSES

	Note	2023	2022 (as restated)
Personnel services, development and training	a	25,626,197,781	28,134,260,793
Administrative expenses	b	5,780,113,680	17,004,204,529
Depreciation/amortization	c	1,111,517,659	1,093,908,877
Provision for market decline		11,849,837	205,418,625
<b>Total</b>		<b>32,529,678,957</b>	<b>46,437,792,824</b>

#### a. PERSONNEL SERVICES

	2023	2022 (as restated)
Salaries, allowances, and bonuses	19,772,862,396	18,961,398,487
Defined contribution plans	4,147,789,713	4,058,602,079
Social security contribution	942,819,536	913,227,400
Sickness and death benefits	344,765,058	435,355,648
Personnel development and training	228,360,059	204,213,706
Post-retirement benefits	188,698,065	3,559,638,865
Medical and dental benefits	902,954	1,824,608
<b>Total</b>	<b>25,626,197,781</b>	<b>28,134,260,793</b>

The following personnel services account balances for the year ended 31 December 2022 are restated as follows:

	Balance, 31 December 2022 before adjustments	Adjustments	Balance, 31 December 2022 (as restated)
Salaries, allowances, and bonuses	18,872,745,831	88,652,656	18,961,398,487
Defined contribution plans	4,058,200,540	401,539	4,058,602,079
Social security contribution	906,152,269	7,075,131	913,227,400
Sickness and death benefits	397,208,361	38,147,287	435,355,648
Post retirement benefits	3,552,262,424	7,376,441	3,559,638,865
Personnel development and training	128,318,420	75,895,286	204,213,706
<b>Total</b>	<b>27,914,887,845</b>	<b>217,548,340</b>	<b>28,132,436,185</b>



**b. ADMINISTRATIVE EXPENSES**

	Note	2023	2022 (as restated)
Repairs and maintenance		1,131,740,986	1,081,283,838
Currency and gold operations expenses		578,379,185	381,359,822
Communication services		567,290,726	483,267,023
Travelling expenses		529,637,347	282,547,335
Grants, subsidies and contributions		390,531,717	126,020,044
Water, illumination and power services		349,752,238	331,190,513
Conference, workshop and convention expenses		228,095,935	45,152,501
Consultants and specialist services		226,788,919	315,986,635
Rentals		148,754,363	162,179,715
Acquired asset expenses	b.1	117,820,894	192,372,954
Fidelity and property insurance		112,460,523	5,340,344,702
Amortized passed-on cost on discount – Government Securities		104,943,682	86,409,414
Taxes and licenses	b.2	91,920,254	1,103,091,824
Auditing services		65,489,637	50,223,079
Supplies and materials		55,834,856	85,780,079
Ammunitions		10,149,176	14,233,347
Discretionary expenses		6,627,595	6,598,275
Others		1,063,895,647	6,916,163,429
<b>Total</b>		<b>5,780,113,680</b>	<b>17,004,204,529</b>

The following administrative expense account balances for the year ended 31 December 2022 are restated as follows:

	Balance, 31 December 2022 before adjustments	Adjustments	Balance, 31 December 2022 (as restated)
Taxes and licenses	1,103,088,436	3,388	1,103,091,824
Repairs and maintenance	870,962,013	210,321,825	1,081,283,838
Communication services	425,685,234	57,581,789	483,267,023
Currency and gold operations expenses	323,137,164	58,222,658	381,359,822
Water, illumination and power services	317,736,464	13,454,049	331,190,513
Consultants and specialist services	224,016,060	91,970,575	315,986,635
Travelling expenses	211,304,480	71,242,855	282,547,335
Acquired asset expenses	118,803,149	73,569,805	192,372,954
Grants, subsidies and contributions			
subsidies and contributions	115,444,441	10,575,603	126,020,044
Rentals	108,533,632	53,646,083	162,179,715
Supplies and materials	78,569,263	7,210,816	85,780,079
Auditing services	49,390,654	832,425	50,223,079
Conference, workshop and convention expenses	33,408,055	11,744,446	45,152,501
Ammunitions	14,345,442	(112,095)	14,233,347
Discretionary expenses	6,283,584	314,691	6,598,275
Others	6,681,996,476	234,166,953	6,916,163,429
<b>Totals</b>	<b>10,682,704,547</b>	<b>894,745,866</b>	<b>11,577,450,413</b>

b.1 The acquired assets expenses consist of the following:

	2023	2022 (as restated)
Security services	53,052,805	122,948,915
External professional services	37,394,177	27,125,768
Taxes and licenses	11,205,721	18,871,749
Association/condominium fees	10,185,798	19,745,387
Fidelity insurance	5,611,909	2,497,202
Repairs and maintenance	363,479	781,629
Light, fuel & water	7,005	0
Legal fees	0	402,304
<b>Total</b>	<b>117,820,894</b>	<b>192,372,954</b>

	Balance, 31 December 2022 before adjustments	Adjustments	Balance, 31 December 2022 (as restated)
<b>Security services</b>	<b>63,776,545</b>	<b>59,172,370</b>	<b>122,948,915</b>
-Expenses incurred in 2022 but paid in 2023		59,172,370	
<b>External professional services</b>	<b>24,101,303</b>	<b>3,024,465</b>	<b>27,125,768</b>
-Expenses incurred in 2022 but paid in 2023		3,024,465	
<b>Taxes and licenses</b>	<b>17,475,844</b>	<b>1,395,905</b>	<b>18,871,749</b>
-Expenses incurred in 2022 but paid in 2023		2,592,311	
-Buyer's share in property Expenses		(438,697)	
-Capitalization of expenses to investment property		(757,709)	
<b>Association/condominium fees</b>	<b>10,063,470</b>	<b>9,681,917</b>	<b>19,745,387</b>
-Expenses incurred in 2022 but paid in 2023		9,681,917	
<b>Fidelity insurance</b>	<b>2,207,366</b>	<b>289,836</b>	<b>2,497,202</b>
-Expenses incurred in 2022 but paid in 2023		295,636	
-Buyer's share in property Expenses		(5,800)	
<b>Repairs and maintenance</b>	<b>776,317</b>	<b>5,312</b>	<b>781,629</b>
-Expenses incurred in 2022 but paid in 2023		5,312	

b.2 Taxes and licenses account balances for CYs 2023 and 2022 are reduced by the amounts of final taxes paid on interest income/discounts (presented as a separate line item in the Income Statement); and taxes and licenses paid on acquired assets (included in the total acquired assets expenses as shown in the succeeding table). Impairments are presented separately in Note 35 in compliance with the guidelines and procedures of PFRS 9.

### c. DEPRECIATION/AMORTIZATION

Depreciation of BPFFE and amortization of CSAS for the year ended 31 December 2022 are restated as follows:

	Depreciation	Amortization	Total
Depreciation/amortization, 31 December 2022, before adjustments	904,118,070	112,156,703	1,016,274,773
Add:			
Under booking due to adjustment of related accounts and reclassification to/(from) BPFPE, other assets and expense	63,913,233	0	63,913,233
Unrecorded depreciation/ amortization	13,624,681	96,190	13,720,871
<b>Depreciation/amortization, 31 December 2022, as restated</b>	<b>981,655,984</b>	<b>112,252,893</b>	<b>1,093,908,877</b>

### 38. 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.

	2023	2022 (as restated)
<b>Net income for distribution</b>	<b>26,538,309,168</b>	<b>62,626,296,554</b>

In accordance with PAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the Net Income for CY 2022 was restated as shown in Note 32(b). The details of restated prior period adjustments on income and expenses are presented in the Statement of Changes in Equity.

The BSP partially declared and remitted dividends for CY 2023 amounting to PHP9.2 billion to the NG on 06 May 2024.

### 39. TRUST FUNDS

Organizational Unit	Note	2023	2022
CoSS (Trust Fund Accounting System)	a	28,251,220,107	28,250,430,562
FM - Domestic	b	2,057,379,629	1,865,193,507
DLC – Accounting	c	830,146,489	2,790,173,641
FSS Operations Support Department	d	136,787,807	136,787,807
<b>Total</b>		<b>31,275,534,032</b>	<b>33,042,585,517</b>

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 pertains to Keppel Monte fund created to implement the rehabilitation of Monte de Piedad Savings Bank. The year-on-year rise in trust asset investment primarily stems from ongoing purchases of government securities funded by interest income generated from fixed-rate treasury bonds, alongside increased market prices used to mark-to-market the existing holdings by year-end.

c. This refers to Educational Loan Guarantee Fund (ELGF) and other funds for the account of various banks. The decrease is due to reversion of the cash portion of closed managed funds to the NG by PHP1.960 billion.

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

#### 40. CASH AND CASH EQUIVALENTS

	Note	2023	2022 (as restated)
<b>Foreign currency assets</b>			
Foreign investments - readily convertible to cash	a	3,115,126,800,014	2,494,526,177,870
Deposits with foreign banks		121,799,198,470	261,412,171,335
Other cash balances (foreign currency on hand)		35,764,267	55,552,907
Other FX receivable - due from FX banks - special account		29,709,594	29,648,883
Non-IR foreign currency on hand		10,241,622	10,200,650
		<b>3,237,001,713,967</b>	<b>2,756,033,751,645</b>
<b>Local currency assets</b>			
Government securities	a	1,246,386,895,913	1,314,760,728,064
Other receivables - due from local banks		1,031,284,304	10,319,013,648
Other receivables - revolving fund		355,075,811	355,075,810
Miscellaneous assets - checks and other cash items		(2,594,051)	(2,588,131)
		<b>1,247,770,661,977</b>	<b>1,325,432,229,391</b>
<b>Foreign currency financial liabilities</b>			
Derivatives liability		(11,124,725)	0
		<b>(11,124,725)</b>	<b>0</b>
<b>Demand liabilities</b>			
Deposit of banks and other financial institutions		(2,235,825,253,488)	(2,609,006,343,851)
Government demand deposits		(195,664,989,888)	(304,847,770,127)
		<b>(2,431,490,243,376)</b>	<b>(2,913,854,113,978)</b>
<b>Cash and cash equivalents, 31 December</b>		<b>2,053,271,007,843</b>	<b>1,167,611,867,058</b>

a. Internally managed foreign investments and government securities are both part of the cash and cash equivalents of the bank. These securities are readily available for use by the BSP in performing its liquidity management mandate as stated in its charter, The New Central Bank Act. The BSP formulates and implements monetary policy aimed at influencing money supply consistent with its primary objective of maintaining price stability.

Moreover, the BSP manages foreign currency reserves which aims to maintain sufficient international reserves to meet any foreseeable net demands for foreign currencies in order to preserve the international stability and convertibility of the Philippine Peso.

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

	2023	2022 (as restated)
<b>Reported operating surplus</b>	<b>26,538,309,168</b>	<b>62,626,296,554</b>
<b>Operating cash flows from changes in asset and liability balances</b>	<b>617,202,274,929</b>	<b>57,230,759,671</b>
<b>Add/(deduct) non-cash items</b>		
Depreciation/amortization	1,111,517,659	1,093,908,877
Income tax expense/(benefit)	196,159,819	(129,081,816)
Provision for probable loss	19,240,518	73,947,181
Recovery from provision for market decline	11,849,837	205,418,625
Amortization of discount/premium on bonds payable	0	86,044,411
Provision for capital reserve for BSP Complex – NCC Project	0	5,363,255,059
Provision for/(recovery from) impairment loss	(17,523,131)	30,029,297
Amortization of discount/premium on bills payable	(1,279,758,544)	(1,004,839,480)
	<b>41,486,158</b>	<b>5,718,682,154</b>
<b>Add/(deduct) movements in other working capital items:</b>		
Decrease in accounts receivable	309,523,235	903,404,334
(Increase)/decrease in notes receivable	300,000,000	(11,700,000,000)
Increase/(decrease) in interest payable	(577,876,393)	5,599,213,827
Increase/(decrease) in miscellaneous liabilities	(1,255,833,807)	2,036,694,989
(Increase)/decrease in interest receivable	(7,367,748,142)	13,544,408,215
	<b>(8,591,935,107)</b>	<b>10,383,721,365</b>
<b>Add/(deduct) investing and financing activities</b>		
Net realized gain on FX rates fluctuation	(57,016,159,320)	(67,655,686,852)
<b>Net cash provided by operating activities</b>	<b>578,173,975,828</b>	<b>68,303,772,892</b>

## 42. TAXES

### 42.1 Income taxes

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

	2023		2022	
	Amount	Percent	Amount (as restated)	Percent
Provision for income tax computed at the statutory income tax rate, before adjustments	6,380,336,432		15,901,073,926	
Add/(deduct):				
Restatements to financial statements computed at statutory rate	303,280,815		(276,770,241)	
Provision for income tax computed at the statutory income tax rate, as restated	6,683,617,247	25.00	15,624,303,685	25.00
Additions to/(reductions in) income tax resulting from the tax effects of:				
Expenses directly attributable to tax-exempt income	46,016,617,418	172.13	26,724,304,594	42.76
Expenses allocated to tax-exempt income	7,861,182,829	29.41	8,070,538,556	12.92

	2023		2022	
	Amount	Percent	Amount (as restated)	Percent
Provision for Reserve for Fidelity Insurance Fund	0	0.00	5,267,794,105	8.43
Provision for unused leave credits	12,938,875	0.05	386,481,350	0.62
Non-deductible national taxes	0	0.00	107,457,426	0.18
Provision for allowance for doubtful accounts	(161,160)	0.00	2,781,568	0.00
PICCI income and expenses	(23,214,575)	(0.09)	(2,912,040)	0.00
Income exempt from income tax	(60,359,766,810)	(225.78)	(55,920,479,615)	(89.48)
Actual leave credits paid	(151,269,099)	(0.57)	(175,706,872)	(0.28)
Prior year reversal of allowance for doubtful accounts	(535,506)	0.00	(22,037)	0.00
	(6,644,208,028)	(24.85)	(15,539,762,965)	(24.86)
<b>Actual provision for corporate income tax</b>	<b>39,409,219</b>	<b>0.15</b>	<b>84,540,720</b>	<b>0.14</b>

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).

## 42.2 Deferred income taxes

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

	2023	2022 (as restated)
DTA		
Unused leave credits	1,277,787,876	1,416,118,099
Allowance for doubtful accounts	423,363,546	424,060,211
Tax overpayments	10,341,958,072	10,371,464,477
PICCI unused tax credit (for consolidation purposes)	133,629,569	135,427,209
<b>Total deferred income tax assets</b>	<b>12,176,739,063</b>	<b>12,347,069,996</b>

Movement in DTA account is summarized as follows:

	2023	2022 (as restated)
Net balance at the beginning of the year, before adjustments	12,347,069,996	12,295,620,742
Add/(deduct):		
Temporary differences charged to income tax expense	(139,026,889)	213,534,009
Tax overpayments utilized to pay tax due	(29,506,404)	(169,880,866)
PICCI unused tax credits (for consolidation purposes)	(1,797,640)	7,796,111
	(170,330,933)	51,449,254
<b>Net balance at the end of the year</b>	<b>12,176,739,063</b>	<b>12,347,069,996</b>

Income tax overpayments recorded under the DTA account comprise the excess of BSP's quarterly payments of income taxes under regular rate over the regular income tax computed in its annual adjusted return.

The temporary differences in the DTA charged to income tax expense are comprised by the following:

	2023	2022
Net provision for uncollectible rentals	33,124	1,709,736
Net provision for unused leave credits	(138,330,224)	210,774,478
Net provision for allowance for doubtful accounts	(729,789)	1,049,795
<b>Temporary differences charged to income tax expense</b>	<b>(139,026,889)</b>	<b>213,534,009</b>

PAS 12 provides that DTA shall be recognized for the carry forward of unused tax losses to the extent that it is probable that the future taxable profit will be available against which the unused tax losses can be utilized. In this regard, unrealized losses on the marked-to-market valuation of domestic securities booked directly to equity under the account "Unrealized Losses on Investments in Government Securities" are not considered as DTA components as the future taxable profit may not be sufficient to absorb these deductible temporary differences. The marked-to-market valuation of domestic securities resulted to a net unrealized loss for both 2022 and 2023.

RIR account amounting to PHP800.754 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."

### 42.3 Additional tax information under RR No. 15-2010

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year 2023.

- 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 PHP0.114 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 PHP0.947 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 PHP0.088 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:

	2023	2022 (as restated)
<b>Local taxes</b>		
Real estate tax	87,126,340	97,535,893
Taxes and licenses related to acquired assets	10,772,323	19,081,278

	2023	2022 (as restated)
Others (registration fees, licenses, permits)	1,929,206	1,802,907
<b>Total</b>	<b>99,827,869</b>	<b>118,420,078</b>
<b>National taxes</b>		
Capital gains tax related to acquired assets	433,397	(209,529)
<b>Total</b>	<b>433,397</b>	<b>(209,529)</b>
	<b>2023</b>	<b>2022</b>
<b>Compromise settlement of tax assessments</b>		
Final withholding of VAT	0	566,958,147
Expanded withholding tax	0	262,114,029
FWT	0	156,548,932
Income tax	0	11,166,744
VAT	0	3,212,148
<b>Total</b>	<b>0</b>	<b>1,000,000,000</b>

	Balance, 31 December 2022 before adjustments	Adjustments	Balance, 31 December 2022 (as restated)
<b>Taxes and licenses related to acquired assets</b>	<b>17,475,844</b>	<b>1,395,905</b>	<b>18,871,749</b>
<b>– Local and National</b>			
- Expenses incurred in 2022 but paid in 2023		2,592,311	
- Capitalization of expenses to investment property		(757,709)	
- Buyer's share in property expenses		(438,697)	

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

	2023	2022
FWT on income	32,183,716,843	17,097,534,882
Withholding tax on compensation and benefits	4,819,830,786	5,194,344,797
VAT and other percentage tax withheld	336,846,173	278,376,256
Expanded withholding tax	137,481,629	118,770,544
Excise tax collected	132,610,963	80,417,572
<b>Total</b>	<b>37,610,486,394</b>	<b>22,769,444,051</b>

f. The BSP is currently undergoing audit of its tax liabilities covering the taxable year 2021.