

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

1. GENERAL INFORMATION

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

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

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

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

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

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

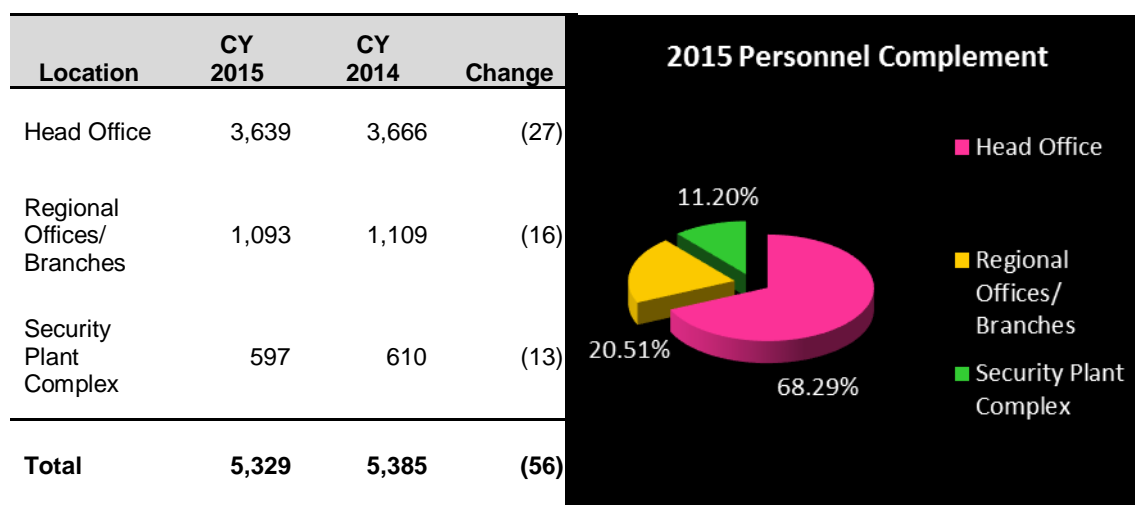
The Governor is the chief executive officer of the BSP and is required to direct and supervise the operations and internal administration of the BSP. A deputy governor heads each of the BSP’s operating sector as follows:

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

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

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

As at 31 December 2015, the BSP has a total personnel complement of 5,329 employees consisting of 4,967 regular and 362 contractual, distributed according to location, as follows:



In these financial statements, the BSP is also referred to as the “Bank”. The MB has approved the release of the financial statements on 22 June 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

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

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

Unless otherwise stated, the CY 2015 balances are prepared under the historical cost convention and/or applicable PFRS/PAS.

2.2 Cash flows

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

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

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

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

2.3 Consolidation

The BSP's financial statements include the accounts of the Bank and the PICCI as of 31 December 2015. Due to immateriality of the balances of the accounts of PICCI, "consolidated" was omitted from the heading of the statement. All inter-company balances are eliminated prior to consolidation.

2.4 Subsidiary

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

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

In accordance with the provisions of PAS 27, the "Investment in PICCI" account was created to reclassify the PHP50.000 million investment of the BSP in PICCI consisting of 500 shares of stock with par value of PHP100 thousand which was previously lodged under the "Stocks and Other Securities" account. The balance sheet and income statement accounts of PICCI are consolidated line by line of like items with BSP. Income and expense accounts of dissimilar nature with BSP's are consolidated under two summary accounts, namely: "Miscellaneous Income-PICCI" and "Miscellaneous Expenses-PICCI", respectively. BSP recognizes income only upon receipt of dividends from PICCI.

2.5 Presentation and recognition

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

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

2.6 Currency of presentation

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

2.7 Foreign currency translation

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

Exchange rates used are based on the published BSP Reference Exchange Rate Bulletin. The Philippine peso versus the US dollar depreciated by PHP2.378 or 5.32%, from PHP44.740 as of end December 2014 to PHP47.118 as of end December 2015. The end-December 2015 rate of PHP47.118 was used in the financial statements. Following are the prevailing month-end weighted average exchange rates in 2015.

For the Month Ended	Exchange Rate USD-PHP	Change
2015		
December	47.118	(0.050)
November	47.168	0.309
October	46.859	0.028
September	46.831	0.127
August	46.704	1.023
July	45.681	0.544
June	45.137	0.570
May	44.567	0.049
April	44.518	(0.207)
March	44.725	0.643
February	44.082	(0.002)
January	44.084	(0.656)
2014		
December	44.740	
AVERAGE	45.623	

2.8 Recognition of income and expenses

2.8.1 Interest income and expenses

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

Payment of interest due on demand deposits of banks maintained with the Bank was discontinued effective 6 April 2012 per MB approval. Interests on deposit accounts of the National Government (Regular and Other-Special accounts) with the BSP are credited quarterly to the regular demand deposit account (DDA) of

TOP-Treasury Single Account (TSA) except for TOP-Special Account No. 2 (MBR 560), interests of which are also credited semi-annually to the regular DDA of TOP-TSA.

2.8.2 Fee income

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

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

2.8.3 Price and foreign exchange gains and losses

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

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

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

exchange rate fluctuations. This practice of recognizing realized gains/losses on FX rate fluctuation is generally the industry practice of other central banks.

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

2.9 Financial assets

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

2.9.1 Available-for-sale

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

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

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

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

ownership. Gains or losses arising from de-recognition or impairment is recognized in the income statement.

2.9.2 Held-to-maturity

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

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

2.9.3 Loans and receivables

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

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

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

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

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

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

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

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

2.10 Acquired assets held for sale

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

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

2.11 Investment property

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

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

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

2.12 Bank premises, furniture, fixtures, and equipment

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

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

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

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

Assets acquired through import Letters of Credit (L/Cs) are recognized as “In-transit” account contra a liability account upon receipt of advice/proof of loading/shipment from suppliers and reclassified to the appropriate asset account upon actual receipt of the imported asset. Any exchange differential between the recognition of the liabilities and

actual payment upon L/C negotiation is treated as gain or loss on fluctuations in FX rates. Customs duties, brokerage fees and other related expenses (when not exempt) are capitalized.

2.13 Intangible assets

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

Computer network and application systems accounts are carried at cost less any accumulated amortizations.

2.14 Leases

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

2.15 Inventories

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

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

2.16 Numismatic collections, artworks, paintings and sculptures

These are recorded at historical cost except those received as donations that are initially booked at nominal value. Pending completion of the property appraisal, the property

self-insurance based on acquisition cost was augmented in prior years by increasing capital reserves.

2.17 Financial liabilities

Financial liabilities denominated in foreign currency comprise of short-term foreign currency deposits of banks, the National Government (NG) and other government entities, and short and long-term borrowings of the BSP. These liabilities are initially recognized at cost and subsequently converted at current value using weighted average exchange rate at reporting date. The difference is recognized in the balance sheet as an unrealized exchange rate revaluation. Interest is accrued monthly and recognized in the income statement. Some foreign currency borrowings contracted after the creation of BSP in CY 1993 are collateralized either by securities or gold. As of end CY 2015, there are no outstanding foreign currency borrowings collateralized by securities or gold.

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. A portion of these deposits is paid interest at rates approved by the MB until 05 April 2012. Interest is accrued monthly and credited quarterly to the respective demand deposit accounts. The fair value of deposits with no stated maturity is the amount repayable on demand.

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

2.18 Derivative instruments

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

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

For swaps at spot date, a purchase/sale of the currency (USD for PHP or vice versa) is recorded together with the contingent asset/liability. Gains or losses realized due to fluctuation in FX rates, which is the difference between the contracted spot rates on value date and the historical moving average cost of the asset, is recognized in the

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

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

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

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

2.19.1 Repurchase and reverse repurchase

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

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

repurchase price represents interest expense and is recognized in the income statement.

2.19.2 Special Deposit Account

Special Deposit Accounts (SDAs) are uncollateralized short-term borrowings of BSP classified as fixed term deposits. These pertain to placements of banks which can be considered as an alternative compliance with the liquidity floor requirement, and income thereon is subject to the 20% final withholding tax (FWT). The SDA also includes funds deposited by trust entities (under BSP supervision) which may either be tax exempt or subject to 20% FWT depending on the purpose of the accountee of the fund deposited with the BSP.

2.19.3 Securities Lending Agreements

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

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

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

2.20 Special Foreign Deposit Account - EUR-Denominated Special Account - AFI Fund

The Fund is a grant from the Alliance for Financial Inclusion (AFI) to finance all expenses related to the BSP project - "Measuring Impact and Recommending Improvements to Consumer Protection Advisories". It is a non-interest bearing euro-denominated special account which is accounted for separately from the other demand

deposit and liability accounts of BSP in terms of computing its monthly revaluation, historical moving average (HMA) and realized FX gain/loss. The last tranche payment was made on 11 June 2015.

2.21 Currency in Circulation

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

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

2.22 Employee benefit plans

The Funds listed below had been set-up for BSP employees. The BSP's contributions to the Funds are charged to operating expenses and recognized in the income statement. Contributions to and augmentation of the Funds are disbursed to the Fund administrators. All income accrue to the Funds and are recognized in the balance sheet as addition in the Fund balance except for Provident fund and Housing fund wherein the Board of Trustees shall set aside a portion of the earnings as General Reserve Fund (GRF) for both Provident and Housing funds sub-accounts when their respective balances fall below an amount equivalent to one-half of one 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 Provident fund and Housing fund are declared as the fund members' share in the earnings of both Funds for the year. The assets of the Funds are reported at either cost or fair market value depending on the asset classification, following the applicable International Accounting Standards (IAS).

2.22.1 Provident fund

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

2.22.2 Housing fund

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

2.22.3 Longevity trust fund

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

2.22.4 Car plan fund

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

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

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

2.22.5 Retirement benefit fund

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

2.23 Capital reserves

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

Managed funds

2.23.1 Fidelity insurance fund

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

2.23.2 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 per cent (1/10 of 1%) of the highest recorded value of currency shipment for the previous year. The Fund is an internally managed fund that is accounted separately from the bank proper resources through the "Due from Administrator of Funds" account. Investments of the Fund are in government securities and all income accrues to the Fund. Since CY 2010, no additional set-up was made as the balance of the fund had exceeded the estimated maximum risk exposure at any given time.

2.23.3 BSP properties self-insurance fund

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

2.23.4 Retirement benefit fund

This Fund was set-up in CY 1997 for employees who will be eligible to retire under R.A. 1616. See Note 2.22.5.

2.23.5 Directors and officers liability insurance (DOLI) fund

The self-insurance fund was set up in CY 2005 in order to provide an additional insurance for those officers already covered under the Government Service Insurance System (GSIS). The initial amount set up was PHP500 million with additional annual provision of PHP100 million until the total fund reaches PHP1.00 billion. GSIS is the claims administrator of the self-insurance program. The Fund is an internally managed fund with the PFO as administrator. It is accounted separately from the bank proper resources through the “Due from Administrator of Funds” account. Investible funds (net of amount as may be necessary for liquidity and reinvestment purposes) are invested in the form of government securities where income earned accrues to the fund, net of fifteen per cent (15%) management fee payable to the PFO.

Other funds

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

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

2.23.7 Reserve for contingencies

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

2.23.8 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.

2.23.9 Reserve for the rehabilitation of the Security Plant Complex

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

2.23.10 Cultural properties acquisition

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

2.23.11 Gold insurance

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

2.24 Commitments and contingent liabilities

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

	2015	2014
FX commitment receivable/sales	39,228,905,600	53,638,700,600
FX commitment receivable/payable	464,010,875,676	463,357,201,230
Currency unissued	255,347,637,000	286,447,665,000
LCs held/received in process	3,531,499,157	7,371,244,114
Equity investment receivable/payable	861,173,900	861,173,900

Below is the maturity schedule of FX commitment receivable/payable/sales as of 31 December 2015:

Maturity Schedule of FX Commitment Receivable/Payable/Sales
As of 31 December 2015

	1-3 months		No Maturity		Total	
	USD	PHP	USD	PHP	USD	PHP
FX commitment receivable/sales						
Foreign Currency Swap - <i>Peso/US Dollar</i>	830,000,000	39,228,905,600			830,000,000	39,228,905,600
FX commitment receivable/ payable						
Foreign Currency Forwards - <i>Buy EUR/ Sell USD</i>	3,076,152	145,425,083			3,076,152	145,425,083
New Arrangement of Borrowing (NAB)			473,568,990	20,802,938,593	473,568,990	20,802,938,593
Chiang Mai Initiative Multi- Lateralization Agreement (CMIM)			9,104,000,000	399,920,512,000	9,104,000,000	399,920,512,000
Note Purchase Agreement (NPA)			1,000,000,000	43,142,000,000	1,000,000,000	43,142,000,000
	3,076,152	145,425,083	10,577,568,990	463,865,450,593	10,580,645,142	464,010,875,676
	833,076,152	39,374,330,683	10,577,568,990	463,865,450,593	11,410,645,142	503,239,781,276

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

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

2.24.2 FX commitment receivable/payable represents foreign currency forward

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

2.24.3 FX commitment receivable/payable of futures

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

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

a. Financial Transactions Plan (FTP) of the IMF

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

The Philippines has participated in the FTP since August 2010 with total IMF drawdowns amounting to SDR235.10 million (USD362.48 million). In terms of annual breakdown, about SDR75.00 million (USD116.90 million) were drawn in 2010; SDR109.80 million (USD169.54 million) in 2011; no transactions in 2012; SDR34.00 million (USD51.80 million) in 2013; and SDR11.30 (USD17.36) in 2014; and SDR5.00 million (USD6.88 million) in 2015. About sixty three per cent (63%) of the funds were disbursed to European countries in an effort to address the financial crisis impacting the European economic zone.

b. New Arrangements to Borrow (NAB)

The NAB facility of the IMF is a credit arrangement between the Fund, and a group of forty (40) members and institutions to provide supplementary resources to the IMF, to cope with an impairment of the international monetary system or to deal with an exceptional situation that poses a threat to the stability of that system. As participant in the IMF's NAB, the BSP undertakes to provide a credit line of up to SDR340.00 million (USD524.50 million). In 2015, loans granted totaled SDR5.50 million (USD7.63 million) and payments received amounted to SDR13.40 million (USD18.55 million).

As of end December 2015, total loans granted amounted to SDR60.30 million (USD91.50 million). Of this amount, about eighty nine per cent (89%) were disbursed to European countries such as Portugal, Ireland, Greece, Moldova and Ukraine. The IMF has also made repayments amounting to SDR27.30 million (USD39.60 million) leaving a balance of SDR307.00 million available for drawdown under the BSP's commitment.

The Fund pays interest on outstanding NAB claims at SDR interest rate. As of end December 2015, total interest earned by the BSP from participation in the NAB amounted to SDR114,223.00 (USD158,555.00 or PHP7,503,456.80).

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

The NPA was entered into between the BSP and the IMF to enhance the resources available to the Fund for crisis prevention and resolution. Under said agreement, the BSP agreed to purchase from the Fund promissory notes in a total principal amount up to USD1.00 billion. The commitment under the NPA was booked in 2013. As of end 2015, no transactions were made under the agreement.

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

The Philippines, through the BSP, provided subsidy contribution to the Poverty Reduction and Growth Trust (PRGT), which is the Fund's concessional lending facility for LICs. The BSP's strong external position allowed it to provide subsidy contribution to the Fund in the amount of

SDR1.90 million (USD2.7 million) to be disbursed in five equal annual installments subject to prevailing exchange rates at the time of transactions for the fiscal years 2011 to 2015. With the fifth and final payment made on 09 December 2015, the BSP has fulfilled its pledge in 2010 and the Fund has expressed gratitude for the Philippines' generous support to the PRGT of the IMF.

2.24.5 Currency Swap Arrangements with Central Banks

a. Chiang Mai Initiative Multilateralization (CMIM) Arrangement

The Philippines is a member of the CMIM. It is a USD240 billion multilateral arrangement among the finance ministries and central banks of the ASEAN (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) + 3 member countries (China, Japan and Korea) and the Hongkong 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 Hongkong Monetary Authority issues a promissory note in the amount equivalent to their committed contribution. Under this arrangement, the management and custody of committed reserves remain with the central banks until a swap request has been approved. The Philippines, through the BSP has an outstanding contribution commitment of USD9.104 billion to the CMIM. The BSP may be able to borrow up to 2.5 times its contribution, i.e. USD22.76 billion from the CMIM. As of end 2015, 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 billion in the event of a potential or an actual liquidity need. The BSP has a commitment to provide up to USD500 million to the BOJ in the event of a potential or an actual liquidity need.

c. ASEAN Swap Arrangement (ASA)

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

2.24.6 Bank for International Settlements (BIS)

Commitment amounted to SDR12.0 million (USD18.50 million). This represents the uncalled portion or 75 per cent of the BSP shareholdings in the BIS.

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

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

2.25 Trust Accounts

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

2.26 Prior period adjustments

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

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

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

2.29 Taxes

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

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

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

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

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

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

which the same has been paid, as provided under Section 27(E)(2) of the NIRC, as amended.

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

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

Interest income on government securities collected on every coupon date are likewise subject to twenty per cent (20%) FWT and are withheld and remitted by the BTr to the NG through credit to the demand deposit account of the Treasurer of the Philippines maintained with the BSP.

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

3. RISK MANAGEMENT

The BSP has adopted a modified centralized enterprise-wide risk management system to institutionalize a structured and systematic approach towards a consistent risk management practice within the Bank. In line with this, the BSP has created a risk management structure, headed by the Risk Oversight Committee (ROC), which consists of the MB Members, the Risk Management Office (RMO) and Risk Management Units (RMUs). The ROC assures that the BSP's risk management objectives are aligned with overall business strategies and that the BSP takes prudent risk management. Under the ROC is the RMO, which is tasked to provide overall risk management advisory and to recommend/review risk management policies within the Bank. The RMUs are groups within each department/office and basically perform risk monitoring and control at the operations level, and provide necessary risk reports to the RMO.

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

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

The risk factors considered are as follows:

3.1 Market Risk

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

3.1.1 Currency risk

The Bank considers the effects of fluctuations in the prevailing currency exchange rates on its financial position and cash flows. The following table summarizes the Bank's exposure to foreign currency exchange rate risk as at 31 December 2015 grouped into assets and liabilities at carrying amounts:

Currency	Original Currency	USD Equivalent
Assets		
USD	72,163,190,088	72,163,190,088
JPY	677,741,070,641	5,630,722,911
AUD	3,324,298,724	2,430,438,486
SDR	924,315,501	1,280,851,719
CNH	3,652,963,980	558,469,801
CAD	1,763,351	1,271,903
EUR	796,070	864,604
CHF	594,186	593,608
GBP	165,469	244,149
SGD	315,418	222,403
AED	757,180	206,220
HKD	1,367,430	176,011
SAR	574,874	153,218
BRN	211,417	148,601
CNY	375,830	57,877
THB	1,169,210	32,400
KRW	47,308,000	40,259
IDR	92,439,000	6,748
BHD	1,530	4,068
Liabilities		
USD	4,474,191,341	4,474,191,341
SDR	855,111,035	1,184,953,015
JPY	2,872,602,914	23,879,948
EUR	4,128,028	4,483,864
CAD	1,000,000	721,293
DKK	2,555,100	371,803

In managing the foreign currency risk of the reserves portfolio, the BSP has set allowable currencies and percentage currency exposure limits to mitigate risks

arising from fluctuations in foreign exchange rates. The adherence to exposure limits to foreign currencies is monitored daily.

3.1.2 Interest Rate Risk

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

3.1.3 Commodity Risk

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

Market Risk Measurement in Reserve Management

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

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

3.2 Credit Risk

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

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

- a. Counterparty Accreditation and Eligibility of Investments - the Bank only deals with accredited counterparties and invests in instruments allowed under the guidelines. Due diligence is observed in evaluating the creditworthiness of its counterparties by monitoring, on a daily basis, their credit ratings, earnings updates, credit default swap spreads, share price movements relative to market movements, market news specific to counterparties, and financial report updates.
- b. Minimum Credit Rating (MCR) Requirements - the Bank requires that counterparties and investments meet the respective minimum credit rating requirements, as approved by the MB. Compliance to MCR is monitored daily.
- c. Exposure Limits - exposures and compliance to limits are monitored daily.

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

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

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

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

3.3 Liquidity Risk

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

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

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

3.4 Operational, legal and reputational risks

Aligned with the institutional requirements, policies and procedures that include levels of authority and accountabilities are documented, 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 with the code of ethics. These all form part of the established bankwide framework for operational risks with RMO, acting as coordinating body.

In treasury operations, continuous enhancement and automation of processes contribute to the mitigation of operational risk by eliminating manual procedures. For instance, TD's in-house developed system allows for an automated processing of various transactions that originate from the front office, which eliminates the additional step of re-encoding by back office personnel for the settlement of the transactions.

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

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

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

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

4. SIGNIFICANT EVENTS

The MB approved on -

a. 08 January 2015 the acquisition of the 5,000 square meter corner lot at PHP4,750.00 per sq.m., in the total amount of PHP23.75 million, along the North National Highway and Sampaloc Street, Puerto Princesa City, Palawan as the offered site of the prospective BSP Branch, in Puerto Princesa City, Palawan;

b. 14 January 2015 the following recommended deletions relative to the reacquisition by the BSP of the property located in Fort San Pedro, Iloilo City: (1) requirement for a 15-meter distance from the boundaries of Lot Nos. 1 and 2 to be cleared of informal settlers; (2) Items 3.1.3, Article III (Project Financing and Cost Recovery) and 4.3.1.b (Roles and Responsibilities) of the Memorandum of Agreement, particularly on the responsibility of the Iloilo City Government to assume the necessary expenses for the relocation of and provision of resettlement sites for the informal settler families within the 15-meter limit; and (3) revision of other minor provisions;

- c. 26 February 2015 the following: (1) production and issuance/sale of additional quantity of 50-Piso and 500-Piso commemorative legal tender coins for the 2015 Papal visit; (2) total supplemental budget of PHP37.85 million without need of endorsement of the BSP Budget Committee; (3) payment of royalty fee of PHP1.90 million, net of taxes, to the Vatican Philatelic and Numismatic Office (VPNO); and (4) payment to the Bureau of Internal Revenue (BIR) of the applicable withholding tax of PHP1.14 million for the royalty fee to VPNO.
- d. 12 March 2015 the production of additional 290,000 pieces of 50-Piso and 45,000 pieces of 500-Piso; and the outsourcing of the additional 17,000 pieces of 1000-Piso and 14,000 pieces of 10,000-Piso Papal Visit 2015 commemorative legal tender coins, including the issuance/sale thereof;
- e. 8 April 2015 the applicable withholding taxes from the payment of royalty/ license fees to the Vatican Philatelic and Numismatic Office for the issuance of the Papal Visit 2015 commemorative legal tender coins; payment of VAT to the BIR based on actual sale of the commemorative coins; and claiming of input VAT credit;
- f. 15 May 2015 the creation of a separate subsidiary ledger account(s) for the Euro and other third currency deposits of the National Government with the BSP, to eliminate any foreign currency gains/losses in case of withdrawal;
- g. 11 June 2015 the grant of authority to the BSP to enter into a three-year Memorandum of Agreement (MOA) with the Department of National Defense for the use of the Philippine Air Force C-130 aircraft for the BSP shipment of currency operations; the total estimated project cost of PHP120.00 million for the three-year period and the approved budget for the contract of PHP40.00 million to cover the first year duration of the MOA;
- h. 26 June 2015 the reaffirmation of the BSP's continued membership in the Alliance for Financial Inclusion (AFI); and the payment of its annual membership fee to AFI in the amount of US\$0.092 million;
- i. 30 July 2015 the BSP Museum Project at the Philippine International Convention Center (PICC); estimated project cost of PHP632.90 million for the design and construction of the Museum, which includes the cost of the consultancy, infrastructure, furniture and 10 per cent contingency; and supplemental budget of PHP22.55 million for the A&E Consultancy;
- j. 06 August 2015 the conduct of structural audit for BSP Ozamis, General Santos, and Cagayan de Oro Branch buildings; procurement of consultancy services to conduct such audit; and supplemental budget of PHP4.45 million to cover the cost of the structural audit;
- k. 06 August 2015 the supplemental budget for the supply and installation of new generation private automatic branch exchange system at the BSP Head Office in the amount of PHP21.35 million.

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. INVESTMENT SECURITIES

	2015	2014
Marketable securities	2,080,359,268,437	1,893,083,650,597
Other investments	635,243,315,984	573,687,601,706
	2,715,602,584,421	2,466,771,252,303
Accrued interest	8,794,926,690	7,606,671,905
Total	2,724,397,511,111	2,474,377,924,208

Marketable securities consist of foreign securities (free) and repurchase agreements. The former primarily includes commercial papers in USD, JPY and AUD currencies. Other investments include externally managed funds (PHP594.302 billion), Asian bond fund (PHP31.402 billion) and BISIP (Bank for International Settlement and Investment Pool - PHP9.540 billion).

7. GOLD

	Note	2015	2014
In bullion vault	A	129,214,825,341	136,366,686,374
With foreign financial institutions	B	186,613,571,561	198,449,312,325
Total		315,828,396,902	334,815,998,699

a. Gold in bullion vaults

	2015		2014	
	FTO	PHP	FTO	PHP
Opening balance-January 1	2,557,353.163	136,366,686,374	2,499,852.498	133,768,830,816
Additions during the year	19,574.588	1,237,049,405	57,500.665	4,020,932,466
	2,576,927.751	137,603,735,779	2,557,353.163	137,789,763,282
Deductions during the year				
Net decrease due to price/rate revaluation	0	(8,388,910,438)	0	(1,423,076,908)
Ending balance-December 31	2,576,927.751	129,214,825,341	2,557,353.163	136,366,686,374
			US\$/FTO	US\$/FTO
Revaluation Rate			1,064.20	1,191.85
Moving Average Rate			1,034.34	1,031.24

b. Gold with foreign financial institutions

	2015		2014	
	FTO	PHP	FTO	PHP
Opening balance-January 1	3,721,619.921	198,449,312,325	3,721,619.921	199,146,448,030
Additions during the year:				
Purchases	5.383	256,399	0	0
	3,721,625.304	198,449,568,724	3,721,619.921	199,146,448,030
Deductions during the year:				
Net decrease due to price/rate revaluation		(11,836,201,913)		(697,135,705)
		(11,836,201,913)		(697,135,705)
Accrued interest	3,721,625.304	186,613,366,811	3,721,619.921	198,449,312,325
		204,750		0
Ending balance-December 31	3,721,625.304	186,613,571,561	3,721,619.921	198,449,312,325

	US\$/FTO	US\$/FTO
Revaluation Rate	1,064.20	1,191.85
Moving Average Rate	1,415.77	1,415.77

8. INTERNATIONAL MONETARY FUND SPECIAL DRAWING RIGHTS

	2015	2014
Beginning balance-January 1	54,856,812,905	57,841,955,758
Add/(Deduct):		
Income accruing to the fund	35,687,631	75,834,281
Revaluation	405,666,335	(3,001,703,393)
Payment of charges-interest and assessment	(27,441,564)	(54,021,004)
Adjustment due to moving average computations/change in policy	(5,045,798)	(5,252,737)
	408,866,604	(2,985,142,853)
	55,265,679,509	54,856,812,905
Accrued interest	4,617,833	4,594,294
Ending Balance-December 31	55,270,297,342	54,861,407,199

9. LOANS AND ADVANCES

	Note	Percent to Total	2015	2014 (as restated)
Foreign currency loans and advances				
Special purpose				
IBRD 2469		100.00	20,955,142	20,955,142
Rediscounting				
Exporters dollar facility	a		0	137,664,980
Total		100.00	20,955,142	158,620,122
Allowance for probable losses		100.00	20,955,142	20,955,142
Net			0	137,664,980
Accrued interest			0	418,082
Total			0	138,083,062

	Note	Percent to Total	2015	2014 (as restated)
Local currency loans and advances				
Philippine Deposit Insurance Corp.	b	78.43	55,976,283,387	56,051,396,180
National Government- Assumed Obligations of :				
Philippine National Bank	c.1		350,000,000	350,000,000
Development Bank of the Phil.	c.1		442,499,511	442,499,511
IMF Quota Subscription	c.2		9,569,312,300	9,569,312,300
		14.52	10,361,811,811	10,361,811,811
Special purpose				
Thrift banks			4,077,768	4,077,768
Specialized banks			13,465,375	14,516,268
Rural banks			91,357,920	91,567,718
		0.15	108,901,063	110,161,754
Emergency	d			
Commercial banks			1,578,259,753	1,578,259,753
Thrift banks			367,481,567	477,718,045
Rural banks			520,915,976	527,723,192
NBQBs			3	3
		3.46	2,466,657,299	2,583,700,993
Rediscounting	e			
Thrift banks			79,981,738	356,604,734
Specialized banks			9,002,152	53,276,737
Rural banks			583,135,239	734,725,622
		0.94	672,119,129	1,144,607,093
Overdrafts/overnight clearing line		2.51	1,788,486,120	1,788,950,486
Total		100.00	71,374,258,809	72,040,628,317
Allowance for probable losses			4,481,440,204	4,267,782,023
Net			66,892,818,605	67,772,846,294
Accrued interest (net of allowance)			18,642,262,275	17,421,708,403
Total			85,535,080,880	85,194,554,697
Total foreign and local currency		100.00	71,395,213,951	72,199,248,439
Allowance for probable losses	f	6.31	4,502,395,346	4,288,737,165
Net		93.69	66,892,818,605	67,910,511,274
Amount past due (<i>Annex B</i>)			8,729,727,858	8,948,739,826
Percent to total loans and advances			12.23	12.39

	Special Purpose		Emergency	
	Specialize d Banks	Rural Banks	Thrift Banks	Rural Banks
Balance, 31 December 2014, before adjustments	14,524,415	91,566,707	479,505,852	527,731,173
Add/(deduct):				
Adjustment on application of payment	(8,147)	1,011		
Set-up of mortgage credit and real and other properties acquired at dacioned value			(1,787,807)	(7,981)
	(8,147)	1,011	(1,787,807)	(7,981)
Balance, 31 December 2014, as restated	14,516,268	91,567,718	477,718,045	527,723,192

	Rediscounting – Rural Banks	Overnight Clearing Line
Balance, 31 December 2014, before adjustments	734,888,318	1,787,948,090
Add/(deduct):		
Adjustment on application of payment	(682)	1,002,396
Set-up of mortgage credit and real and other properties acquired at dacioned value	(162,014)	
	(162,696)	1,002,396
Balance, 31 December 2014, as restated	734,725,622	1,788,950,486
Accrued interest (net of allowance), 31 December 2014, before adjustments		17,422,734,272
Add/(deduct):		
Adjustment on prior year's application of payment on loans and advances, rediscounting		360, 246
Dacioned mortgage credit and acquired assets booked at dacioned value, rediscounting and liquidity loans		(1,316,842)
Reversal of dacioned mortgage credit due to collection made		(69,273)
		(1,025,869)
Accrued interest (net of allowance), 31 December 2014, as restated		17,421,708,403

a. Exporters dollar and yen rediscount facility (EDYRF) represents rediscount facility granted to qualified banks using eligible dollar/yen denominated loans of their exporter-borrowers, including service exporters engaged in rendering technical, professional and other services. The outstanding loan of PHP138.08 million was fully settled in CY 2015.

b. Loans and advances to Philippine Deposit Insurance Corporation (PDIC) intended for ailing banks slightly decreased to PHP55.976 billion compared to last year's level of PHP56.051 billion. The loans to PDIC are collateralized and interest-bearing. This constituted 78.43 per cent of the total local currency loan portfolio.

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

c.2 IMF Quota Subscription represents non-interest bearing loan extended to the Republic of the Philippines (ROP) to cover the increase in the IMF quota subscription from SDR879.9 million to SDR1,019.3 million or an increase of SDR139.4 million or 15.84 per cent as provided for under IMF Resolution No. 63-2, as required under the Articles of Agreement on the IMF and as authorized under Section 2(a) of RA No. 2052, as amended. The loan was covered by a five-year non-negotiable and non-interest bearing promissory note issued on 11 July 2011, maturing on 10 July 2016 and is renewable for another period of five (5) years.

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

e. Rediscounting window which accounts for 0.94 per cent of the local currency loan portfolio decreased by PHP0.473 billion (total payments of PHP0.914 billion less total grants and restructuring of PHP0.437 billion and PHP0.004 billion, respectively) or 41.29 per cent from last year-end balance of PHP1.145 billion.

f. Allowance for probable losses - total past due accounts amounted to PHP8.730 billion or 12.23 per cent of total outstanding loans and advances of PHP71.395 billion exclusive of accrued interest receivable. PHP4.974 billion or 6.97 per cent of said outstanding loans and advances are covered by the Allowance for Probable Losses amounting to PHP4.502 billion.

10. OTHER RECEIVABLES

	Note	2015	2014 (as restated)
Foreign currency receivables			
Non-IR foreign exchange assets	a	118,935,087,577	100,762,971,819
Accrued interest		1,740,124,125	1,549,771,091
Due from foreign banks - NIR	b	0	2,046,743,335
Due from foreign banks/branches	c	24,801,252	23,157,422
Total		120,700,012,954	104,382,643,667

	Note	2015	2014 (as restated)
Local currency receivables			
Accounts receivable -Treasurer of the Philippines (TOP)	d	7,194,488,297	11,514,341,895
Sales contracts receivable	e	3,152,646,457	1,975,349,785
Accounts receivable (net of allowance)	f	2,493,344,903	1,946,888,243
Notes receivable	g	1,366,730,850	1,366,730,850
Due from local banks		438,751,149	447,069,289
Receivables from staff/others		383,950,184	396,484,212
Accrued interest-Sales contracts receivable		104,984,455	40,914,334
Lease receivable (net of allowance)	h	20,090,236	5,428,811
Items under litigation	i	14,500,000	14,500,000
Accrued interest -receivable from redemption of acquired assets		12,851	189,059
Total		15,169,499,382	17,707,896,478

	Balance, 31 December 2014, before adjustments	Adjustments	Balance, 31 December 2014, as restated
Sales contracts receivable	1,989,038,562	(13,688,777)	1,975,349,785
Accounts receivable (net of allowance)	1,949,521,316	(2,633,073)	1,946,888,243
Receivables from staff/others	396,591,512	(107,300)	396,484,212
Accrued interest-sales contracts receivable	56,556,009	(15,641,675)	40,914,334
Lease receivable (net of allowance)	72,859,754	(67,430,943)	5,428,811
Accrued interest - receivable from redemption of acquired assets	1,877,099	(1,688,040)	189,059
	4,466,444,252	(101,189,808)	4,365,254,444

Sales contracts receivable, 31 December 2014, before adjustments	1,989,038,562
Add/(deduct):	
Adjustments on sale and redemption of acquired assets	(13,688,777)
Sales contracts receivable, 31 December 2014, as restated	1,975,349,785
Accounts receivable, 31 December 2014, before adjustments	1,949,521,316
Add/(deduct):	
Overpayment/refund of personnel services and training expenses	3,519,502
Overpayment of other operating expenses	2,381,158
Adjustments on sale and redemption of acquired assets	(6,654,526)
Dacioned mortgage credit and real and other properties acquired at dacioned value, net of reversal due to collection made	(1,765,691)
Rental collections and client's share of real estate tax	(103,844)
Supervisory fees and other claims	(9,672)
	(2,633,073)
Accounts receivable, 31 December 2014, as restated	1,946,888,243
Receivables from staff/others, 31 December 2014, before adjustments	396,591,512
Add/(deduct):	
Adjustments related to cash advances	(107,300)
Receivables from staff/others, 31 December 2014, as restated	396,484,212
Accrued interest-Sales contracts receivable, 31 December 2014, before adjustments	56,556,009
Add/(deduct):	
Adjustments to correct account balance	(15,641,675)
Accrued interest-Sales contracts receivable, 31 December 2014, as restated	40,914,334
Lease Receivable, 31 December 2014, before adjustments	72,859,754
Add/(deduct):	
Adjustments to correct account balance	(84,250,028)
Effect of reduction in allowance for uncollectible receivables due to correction of lease receivable balance	16,819,085
	(67,430,943)
Lease Receivable, 31 December 2014, as restated	5,428,811
Accrued interest -receivable from redemption of acquired assets, 31 December 2014, before adjustments	1,877,099
Add/(deduct):	
Adjustments to correct account balance	(1,688,040)
Accrued interest -receivable from redemption of acquired assets, 31 December 2014, as restated	189,059

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

The account increased primarily due to the purchase of ROP bonds (PHP8.016 billion), Asian Local Currency (ALC) bonds (PHP4.330 billion), CNH bonds (PHP2.769 billion) and BISIP bonds (PHP2.222 billion).

b. Due from foreign banks - Non-IR – pertains to placements in time deposits which all matured in CY 2015.

c. 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.

d. Accounts receivable - TOP - a special receivable account to record the NG's share in the annual revaluation of the IMF holdings of Philippine Peso maintained with the BSP based on change in PHP/SDR exchange rate. On 31 July 2015, the account decreased by PHP4.320 billion representing the revaluation of the IMF holdings as at the end of its financial year of 30 April 2015.

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

	Total 2015	Current	Non-Current
I. Auction /Negotiated Sales			
a. BSP personnel	9,646,340	643,089	9,003,251
b. Non-BSP personnel/Others	2,825,548,930	188,369,929	2,637,179,001
c. Restructured principal - Non-BSP	20,093,541	1,339,569	18,753,972
d. Restructured interest - Non-BSP	3,299,548	219,970	3,079,578
	2,858,588,359	190,572,557	2,668,015,802
II. Sales under Asset Management Department - Provident Fund Office Housing Program			
a. BSP personnel	208,480,364	13,898,691	194,581,673
b. Non-BSP personnel/Others	85,577,734	5,705,182	79,872,552
	294,058,098	19,603,873	274,454,225
Total	3,152,646,457	210,176,430	2,942,470,027

f. Accounts Receivable - the account increased mainly due to the cost of passports delivered to the Department of Foreign Affairs (DFA) for the period July to December 2015 offset by the collections from unsettled transactions on foreign investments.

g. Notes Receivable - claim of BSP against First Philippine International Bank (now First Producers Holdings) guaranteed by a 28.5 year scrippless Treasury Bonds with PHP375 million cash flow back plus PHP15 million cash payment for three (3)-year amortization for 1996, 1997 & 1998 or a total of PHP390 million to be placed in an Escrow fund to be administered by DLC until the fund reaches PHP1.367 billion. It shall be applied against BSP claim, per MB Res. No. 1131 dated 27 September 1995 as amended by Res. Nos. 590 and 1069 dated 13 June and 16 October 1996, respectively. As of 31 December 2015, PHP391.678 million is now with the Escrow fund.

h. Lease receivable - includes rental receivable from Banco Filipino Savings and Mortgage Bank (BFSMB) on properties dacioned to BSP. The Memorandum of Agreement (MOA) between BSP and BFSMB signed on 20 December 1999 provides that "xxx, all fruits of the property conveyed shall pertain to Bangko Sentral. If any of the properties conveyed remains in the possession of Banco Filipino for its use and benefit,

they shall be subject to the payment to Bangko Sentral of reasonable rental in such amount as may be agreed upon by the parties, xxx.” However, in 2009, the RTC of Makati City issued an Injunction Order preventing the BSP from consolidating and selling, by public auction, the dacioned properties of Banco Filipino. Since, the validity of the MOA is being assailed in court by the Bank, the BSP cannot take action on the dacioned properties unless the injunction order issued by the RTC of Makati City is lifted. The dacioned assets are being managed and administered by the PDIC as liquidator of BFSMB.

i. Items under litigation

	Note	2015	2014
CSS-FAD	a	14,500,000	14,500,000
BSRU-Tacloban	b	2,499,920	2,499,920
BSRU-Legaspi	c	1,758,500	1,758,500
Total		18,758,420	18,758,420
Less: Allowance for doubtful account		4,258,420	4,258,420
Net		14,500,000	14,500,000

a. The amount refers to the pilfered PHP4.500 million clearing items paid to Bank of Philippine Island (BPI) under Case No. 18793 and tampered PHP10.0 million denominated Treasury bills under Case No. 88-2389.

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

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

11. INVESTMENTS SECURITIES – DOMESTIC

	Note	2015		2014	
		Face Value	Market Value	Face Value	Market Value
BSP-Head Office	a				
Treasury bills		174,338,670,000	172,378,578,040	174,342,700,000	172,678,817,895
Semi-annual FLT treasury bond		50,000,000,000	47,851,451,629	50,000,000,000	47,302,090,383
Fixed rate treasury bonds		2,094,289,023	2,297,849,973	2,086,964,023	2,332,039,681
LBP Bond		16,819	42,525 ¹	33,638	52,693 ²
		226,432,975,842	222,527,922,167	226,429,697,661	222,313,000,652
Accrued interest			101,943,143		91,660,359
Total			222,629,865,310		222,404,661,011

¹ Includes PHP25,762.17 at redeemed value, representing BSP share on claims against closed banks

² Includes PHP19,799.71 at redeemed value, representing BSP share on claims against closed banks

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

	2015	2014
Beginning balance, January 1	222,313,000,652	219,290,898,099
Add/(Deduct):		
Purchases	426,313,585,482	432,208,085,097
Marking to market	335,968,768	3,574,393,894
Accrual/reversal of discount	248,637,304	325,542,497
BSP share on claims against closed banks	5,962	19,800
Redemption	(425,762,825,143)	(432,095,277,272)
Sales	(920,414,505)	(989,648,162)
Reclassification of taxes on discount	0	(983,066)
Net premium amortization	(36,353)	(30,235)
	214,921,515	3,022,102,553
Ending balance, December 31	222,527,922,167	222,313,000,652

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

Maturity Schedule of Investment Securities

	90-180 days	181 - 365 days	More than 1 year	Total
Treasury bills	64,473,488,860	107,905,089,180		172,378,578,040
Semi-annual FLT treasury bond			47,851,451,629	47,851,451,629
Fixed rate treasury bonds			2,297,849,973	2,297,849,973
LBP Bond			42,525	42,525
Total	64,473,488,860	107,905,089,180	50,149,344,127	222,527,922,167

12. DUE FROM ADMINISTRATOR OF FUNDS

	Note	2015	2014 (as restated)
Financial Accounting Department (FAD)			
Fidelity insurance		22,247,379,248	22,247,379,248
Currency insurance		2,798,665,272	2,798,665,272
Post-retirement benefit	a	29,581,183	84,166,313
Gold insurance		9,333,617	9,333,617
		25,084,959,320	25,139,544,450
Provident Fund Office (PFO)			
BSP Properties Self-Insurance Fund		1,950,000,000	1,950,000,000
Post-retirement benefit	b	1,111,565,878	1,067,334,453
Directors' and officers' liability insurance (DOLI) fund		1,092,289,420	1,092,289,420
Car plan fund		555,455,979	555,455,979
Provident fund		158,384,748	156,245,174
		4,867,696,025	4,821,325,026
Department of Loans and Credit (DLC)			
Industrial Fund		2,515,220	2,515,221
Total		29,955,170,565	29,963,384,697
Due from Administrator of Funds - Provident Fund, 31 December 2014, before adjustment:			
			155,497,090
Add/(deduct):			
Overpayment of personnel services affecting contributions for provident fund, housing fund and longevity trust fund			748,084
Due from Administrator of Funds - Provident Fund, 31 December 2014, as restated			156,245,174

a. Amount transferred from PFO to FAD for the retirement gratuity of retired/resigned BSP officials/employees. The balance significantly decreased due to the return of excess post-retirement fund under the FAD's account to PFO amounting PHP44.231 million; and payment of retirement benefits to employees eligible under R.A. 1616 and financial assistance provided to beneficiaries of deceased personnel totaling PHP10.354 million.

b. The increase of PHP44.231 million represents the excess fund returned from the FAD account.

13. ACQUIRED ASSETS HELD FOR SALE

	2015	2014 (as restated)
Acquired assets held for sale	767,850,950	111,874,816
Less: Allowance for market decline	58,618,673	13,627,287
Net	709,232,277	98,247,529

	TCTs	Book Value
Acquired assets held for sale, 31 December 2014, before adjustments	1,151	79,514,364
Add/(deduct):		
Effect of restatement of prior period adjustments:		
Net adjustments based on reconciliation of balances per cFAS and booking department's manual records	(1)	33,057,282
Adjustments related to sale/cancellation of sale and redemption of acquired assets	6	83,168
Adjustment of prior year's sale of acquired assets	(8)	(779,998)
	(3)	32,360,452
Acquired assets held for sale, 31 December 2014, as restated	1,148	111,874,816

Below is the movement of the acquired assets held for sale for the year ended 31 December 2015:

	TCTs	Book Value
Balance, 01 January 2015, as restated	1,148	111,874,816
Additions:		
Transferred from investment property	2,840	859,080,353
	2,840	859,080,353
Deductions:		
Sale/negotiation	(488)	(170,424,317)
Revert to investment property	(268)	(27,535,784)
Net reclassification/adjustments	(269)	(5,144,118)
	(1,025)	(203,104,219)
Balance, 31 December 2015	2,963	767,850,950

14. INVESTMENT PROPERTY

	2015	2014 (as restated)
Investment property	15,481,987,941	16,366,321,406
Less: Allowance for market decline	275,782,611	1,408,298,610
Net	15,206,205,330	14,958,022,796

	TCTs	Book Value
Investment property, 31 December 2014, before adjustments	27,008	16,201,545,327
Add/(deduct):		
Effect of restatement of prior period adjustments:		
Valuation of investment properties from nominal value to dacioned value		100,781,408
Capitalization of foreclosure expenses		29,621,786
Net adjustments based on reconciliation of balances per cFAS and booking department's manual records	(5)	28,080,268
Adjustments related to sale/cancellation of sale and redemption of acquired assets	15	6,294,500
Understatement of booked payments	(1)	(1,883)
	9	164,776,079
Investment property, 31 December 2014, as restated	27,017	16,366,321,406

Allowance for market decline, 31 December 2014, before adjustment	1,408,269,958
Add/(deduct):	
Adjustments related to sale/cancellation of sale and redemption of acquired assets	28,652
Allowance for market decline, 31 December 2014, as restated	1,408,298,610

Below is the movement of the investment property for the year ended 31 December 2015:

	TCTs	Book Value
Balance, 01 January 2015, as restated	27,017	16,366,321,406
Additions:		
Foreclosure	258	546,740,080
Dacion en pago	348	156,440,626
Reverted from acquired assets	268	27,535,784
Net reclassification/adjustments	597	36,143,690
	1,471	766,860,180
Deductions:		
Sale/negotiation	(54)	(792,113,292)
Transferred to acquired assets	(2,840)	(859,080,353)
	(2,894)	(1,651,193,645)
Balance, 31 December 2015	25,594	15,481,987,941

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

	Land and Building	Property Improvement	Computer Hardware	Plant and Equipment	In-Transit Items	In Progress/under Construction Items	Total
Cost							
01 January 2015, as restated	12,926,520,659	4,554,284,589	1,437,481,728	9,287,406,660	102,804,836	1,451,263,885	29,759,762,357
Additions	365,453,750	196,709,976	196,016,109	486,368,607	62,940,989	673,156,670	1,980,646,101
Disposals	0	0	(48,034,894)	(95,442,585)	0	0	(143,477,479)
Reclassification	0	23,480,877	(142,069,118)	(41,895,786)	(109,787,663)	(379,543,776)	(649,815,466)
Adjustments	182,813	0	(252,116,889)	(111,684,411)	0	0	(363,618,487)
31 December 2015	13,292,157,222	4,774,475,442	1,191,276,936	9,524,752,485	55,958,162	1,744,876,779	30,583,497,026
Accumulated depreciation							
01 January 2015, as restated	(2,792,591,219)	(2,795,917,725)	(895,560,796)	(5,186,099,907)	0	0	(11,670,169,647)
Depreciation - CY 2015	(201,339,709)	(302,696,108)	(149,472,984)	(566,030,618)	0	0	(1,219,539,419)
Disposals	0	0	37,583,046	93,989,654	0	0	131,572,700
Reclassification	0	(11,052)	128,943,622	32,504,894	0	0	161,437,464
Adjustments	0	0	232,637,582	106,315,165	0	0	338,952,747
31 December 2015	(2,993,930,928)	(3,098,624,885)	(645,869,530)	(5,519,320,812)	0	0	(12,257,746,155)
Net book value, 31 December 2015	10,298,226,294	1,675,850,557	545,407,406	4,005,431,673	55,958,162	1,744,876,779	18,325,750,871
Net book value, 31 December 2014, as restated	10,133,929,440	1,758,366,864	541,920,932	4,101,306,753	102,804,836	1,451,263,885	18,089,592,710

The BPFFE costs and accumulated depreciation balances as at 31 December 2014 are restated, as follows:

	Land and Building	Property Improvement	Computer Hardware	Plant and Equipment	Total
Cost					
31 December 2014, before adjustments	12,926,520,659	4,554,284,589	1,456,763,444	9,299,833,189	28,237,401,881
Add/(Deduct):					
Effect of restatement of prior period adjustments:					
Non-derecognition of properties disposed			(19,497,450)	(2,971,524)	(22,468,974)
Over set-up of accounts payable				(6,992,255)	(6,992,255)
Misclassification to/from BFFE, other assets and expense				(2,430,945)	(2,430,945)
Net adjustments related to sale/donation of assets			215,734	(57,200)	158,534
Understatement in the cost of SPC's books due to netting-off of allowance for depreciation				25,395	25,395
	0	0	(19,281,716)	(12,426,529)	(31,708,245)
31 December 2014, as restated	12,926,520,659	4,554,284,589	1,437,481,728	9,287,406,660	28,205,693,636
Accumulated depreciation					
31 December 2014, before adjustments	(2,792,582,078)	(2,795,256,049)	(913,201,062)	(5,193,578,911)	(11,694,618,100)
(Add)/Deduct:					
Effect of restatement of prior period adjustments:					
Non-derecognition of properties disposed	(9,141)	(840,476)	17,757,257	2,741,117	19,648,757
Over set-up of accounts payable				5,034,423	5,034,423
Misclassification to/from BFFE, other assets and expense		178,800		(328,338)	(149,538)
Net adjustments related to sale/donation of assets			(116,991)	57,196	(59,795)
Understatement due to netting-off of allowance for depreciation in the cost of SPC's books				(25,394)	(25,394)
	(9,141)	(661,676)	17,640,266	7,479,004	24,448,453
31 December 2014, as restated	(2,792,591,219)	(2,795,917,725)	(895,560,796)	(5,186,099,907)	(11,670,169,647)
Net book value, 31 December 2014, as restated	10,133,929,440	1,758,366,864	541,920,932	4,101,306,753	16,535,523,989

As of 31 December 2015, the total amount of PHP218.25 million charged against the PHP317.0 million Asia-Pacific Economic Cooperation (APEC) Fund for the PICC rehabilitation projects was booked under the BPFFE, broken down as follows:

Account	Amount
Land Improvement	1,399,000
Building Improvement	7,361,435
Furniture and Equipment	43,765,080
Building Improvement in Progress	165,721,993
Total	218,247,508

16. INTANGIBLES

	Computer Network and Application System	Computer Network and Application System in Process	Total
Cost			
01 January 2015, as restated	2,353,889,468	66,259,394	2,420,148,862
Additions	54,387,211	25,090,699	79,477,910
Reclassification	24,713,250	332,495	25,045,745
Adjustments	415,662		415,662
31 December 2015	2,433,405,591	91,682,588	2,525,088,179
Accumulated amortization			
01 January 2015, as restated	(2,142,819,444)	0	(2,142,819,444)
Amortization - CY 2015	(90,631,194)	0	(90,631,194)
Reclassification	(23,760,000)	0	(23,760,000)
31 December 2015	(2,257,210,638)	0	(2,257,210,638)
Net book value, 31 December 2015	176,194,953	91,682,588	267,877,541
Net book value, 31 December 2014, as restated	211,070,024	66,259,394	277,329,418

The Computer Network and Application System (CNAS) and related accumulated amortization balances as at 31 December 2014 are restated, as shown below:

Cost	
31 December 2014, before adjustments	2,325,236,318
Add/(deduct):	
Effect of netting-off of accumulated amortization from the cost of SPC's CNAS	26,289,950
Effect of restatement of prior period adjustments:	
Misclassification from BFPPE accounts	2,363,200
	28,653,150
31 December 2014, as restated	2,353,889,468
Accumulated amortization	
31 December 2014, before adjustments	(2,112,882,063)
(Add)/deduct:	
Effect of netting-off of accumulated amortization from the cost of SPC's CNAS	(26,289,950)
Effect of restatement of prior period adjustments:	
Misclassification from BFPPE accounts	(3,647,431)
	(29,937,381)
31 December 2014, as restated	(2,142,819,444)
Net book value, 31 December 2014, as restated	211,070,024

17. INVENTORIES

	Note	2015	2014
SPC inventories	a	6,212,176,517	5,115,924,969
Currency inventory	b	2,417,062,522	2,309,663,689
Work-in-process		807,009,375	660,032,573
Gold for refining	c	462,135,548	582,955,846
Gold for domestic sale	d	16,753,883	8,089,185
Silver for refining		119,078	408,846
Silver for domestic sale		388,052	388,052
Total		9,915,644,975	8,677,463,160

a. The increase was largely attributed to the procurement of coin metals for 1-piso and 25-sentimo denominations.

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

For CY 2015 the Currency Inventory balance went up by PHP107.399 million mainly due to the BSP's efforts to fortify the currency inventory to prevent shortages of banknotes in anticipation of the New Design Series (NDS) demonetization and to maintain sufficient currency reserves to endure demand shocks.

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

d. The account rose by PHP8.665 million or 107.11 per cent attributable to the CY 2015 production of gold grains of 336.941 FTO equivalent to PHP20.968 million compared to previous year's zero production.

18. REVALUATION OF FOREIGN CURRENCY ACCOUNTS

	2015	2014
Unrealized gains/(losses) on FX Rate Fluctuations		
Beginning balance, January 1	(59,563,524,619)	(17,236,147,832)
Unrealized gains/(losses) for the year (net of realized transactions)	171,185,215,470	(42,327,376,787)
Ending balance, December 31	111,621,690,851	(59,563,524,619)
Unrealized gains(losses) on Price Fluctuations		
Beginning balance, January 1	17,899,304,074	(15,317,465,015)
Unrealized gains/(losses) for the year (net of realized transactions)	(55,624,235,187)	33,216,769,089
Ending balance, December 31	(37,724,931,113)	17,899,304,074
Unrealized gains(losses) on FX Rate and Price Fluctuations, December 31	73,896,759,738	(41,664,220,545)

19. MISCELLANEOUS ASSETS

	Note	2015	2014 (as restated)
Withholding tax at source	a	901,652,570	714,272,360
Prepaid expenses	b	208,494,965	178,362,644
Other supplies		132,646,081	140,993,985
Paintings and sculptures	c	124,611,921	116,947,020
Deposits - utilities and services	d	62,547,709	45,771,666
Stocks and other securities	e	30,275,680	10,275,680
Input tax	f	27,262,788	5,887,665
Numismatic collections on hand		21,902,959	21,902,959
Assets for disposal		14,663,549	486,707
Creditable tax certificates		4,835,087	4,835,087
Semi-expendable property		3,968,795	576,648
Items for exhibit		1,040,681	1,040,680
BSP Inter-office reciprocal account		206,837	3,788
Commemorative notes and coins		117,854	150,804
Land under usufruct	g	82,275	82,275
Checks and other cash items		33,483	3,242,793
Checks and other cash items in-transit		3,984	2,140,753
Demonetized commemorative coins		1,650	6,169
Due from PICC	h	(43,182,208)	568,421
Philpass-RMASS account		(19,719)	0
Total		1,491,146,941	1,247,548,104

	Balance, 31 December 2014, before adjustments	Adjustments	Balance, 31 December 2014, as restated
Withholding tax at source			
Rental collection and client's share on real estate tax	714,242,175	30,185	714,272,360
Prepaid expenses			
Overstated set-up of prepaid insurance	178,387,844	(25,200)	178,362,644
Other supplies			
Utilization of supplies and materials in stock	141,163,720	(169,735)	140,993,985
Paintings and sculptures			
Recognition of expenses as assets	116,983,485	(36,465)	116,947,020
Semi-expendable property			
Utilization of semi-expendable property	588,243	(11,595)	576,648
Checks and other cash items			
Rental collection and client's share on real estate tax		3,028,663	
Disallowed medical claims		175,434	
	38,696	3,204,097	3,242,793
Due from PICCI			
Adjustment on PICCI capital expenditures	348,483	219,938	568,421
	1,151,752,646	3,211,225	1,154,963,871

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

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

PHP30.132 million was principally due to purchases of treasury bills at higher yields that resulted to higher discounts and prepaid taxes.

c. The change in the account was brought about by the Bank's acquisition of various paintings of renowned artists in CY 2015.

d. The increase was due to deposits paid to the Manila Electric Company (MERALCO) mainly for the upgrading of capacity, relocation and installation of the new power sub-station at the SPC in the amount of P14.78 million.

e. Breakdown includes the following:

Particulars	Amount
PICCI investments	29,520,000
Proprietary membership share	741,000
Telephone companies stocks	14,680
Total	30,275,680

The increment of PHP20.0 million pertained to the PICCI investment in South Luzon Tollway Corporation.

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

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

h. The account refers to the approved budget of the PICCI for capital expenditures (CAPEX) advanced by the BSP subject to liquidation. It includes the PHP317.0 million APEC fund used for the PICC rehabilitation projects. The account is credited for the liquidation of disbursements for CAPEX, remittance of unutilized budget, and reimbursement of expenses chargeable against the APEC fund. The negative balance of PHP43.18 million resulted from the reconciling items which remain unresponded in the PICCI's books as of the balance sheet date.

20. SHORT-TERM FOREIGN CURRENCY DEPOSITS

	Note	2015	2014
National Government	a	40,785,804,588	19,075,122,135
Other entities	b	47,783,723	45,845,861
		40,833,588,311	19,120,967,996
Accrued interest		6,063,282	4,571,756
Total		40,839,651,593	19,125,539,752

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

	2015	2014
National Government		
TOP-Time Deposits	33,397,238,400	11,822,854,064
TOP-Special Accounts	7,388,566,188	7,252,268,071
Total	40,785,804,588	19,075,122,135

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

	2015	2014
Other Entities		
NPC	35,205,961	33,902,887
PSALM	10,904,132	10,353,811
North Luzon Railways	1,659,743	1,575,977
MWSS	13,887	13,186
Total	47,783,723	45,845,861

21. LOANS PAYABLE

	Note	2015	2014
Maturing in more than 5 years			
Blocked peso deposit (Circular 1139/1202)	a	25,248,316	27,694,553
Blocked peso deposit (Circular 1298)	a	17,518,605	18,434,122
CB Memorandum Circular (at original cost PHP14.00)	b	3,845,927	3,845,927
Total		46,612,848	49,974,602

a. These are local currency deposits of original public sector borrowers (NG, government-owned or controlled corporations and government financial institutions) used to cover for their FX loan amortizations that were transferred to the then Central Bank of the Philippines (CBP) on the date the amortizations fell due. These deposits were later registered with the BSP under various foreign loan restructuring arrangements. Recorded partial settlement of FLP blocked peso deposits is PHP0.955 million for CY 2015 while revaluation marked at PHP2.407 million which contributed mainly to the decrease in the outstanding balance of the account.

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

22. BONDS PAYABLE

	Note	2015	2014
Bonds due 2027	a	18,847,200,000	17,896,000,000
Bonds due 2097		4,711,800,000	4,474,000,000
		23,559,000,000	22,370,000,000
Less: Discount on bonds		(84,307,250)	(80,605,677)
		23,474,692,750	22,289,394,323
Accrued interest		90,047,733	85,503,111
Total		23,564,740,483	22,374,897,434

a. These are “Yankee Bonds” issued by BSP on 24 June 1997. However, bonds worth USD5.954 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.

23. ALLOCATION OF SPECIAL DRAWING RIGHTS

	2015	2014
Allocation of SDRs	54,713,083,404	54,316,670,175
Accrued interest	4,571,803	4,549,116
Total	54,717,655,207	54,321,219,291

24. DEPOSITS

	Note	2015	2014 (as restated)
Government deposits			
Short – term	a.1	358,470,559,145	366,741,623,401
Long – term	a.2	28,265,953,299	28,265,953,299
		386,736,512,444	395,007,576,700
Accrued interest		1,913,511,742	1,682,193,054
Total		388,650,024,186	396,689,769,754
Demand Deposits			
Banks/NBQBs-reserve deposits	b.1	1,461,519,980,095	1,394,062,128,575
Special foreign deposit		0	1,127,738
Others		29,871,571,215	29,873,796,475
		1,491,391,551,310	1,423,937,052,788
Accrued interest		344,447,573	344,447,573
Total		1,491,735,998,883	1,424,281,500,361
IMF and other financial institutions	c.1	39,346,194,042	39,477,284,370

	Demand Deposits - Banks/NBQBs	Demand Deposits - Others
Balance, 31 December 2014, before adjustments	1,394,058,920,672	29,875,671,453
Add/(deduct):		
Refund of security deposit due to reversal of forfeiture	3,248,442	
Cancellation of payment of raffle prize	(40,000)	
Adjustment on prior year's supervisory fees	(539)	
Overpayment of personnel services		(1,875,222)
Adjustment on application of payment		244
	3,207,903	(1,874,978)
Balance, 31 December 2014, as restated	1,394,062,128,575	29,873,796,475

a. Government deposits

a.1 Short-term deposits include NG's peso regular and special deposit accounts (except Special Account No. 2) that are paid four per cent (4%) interest rate per annum up to 04 August 2013 and fixed term deposits with interest rate based on weekly treasury bills auction rate. The interest rate was reduced from four per cent (4%) to two per cent (2%) effective on 05 August 2013 up to 11 August 2013 as per Monetary Board Resolution (MBR) No. 1250.A dated 01 August 2013. Effective 12 August 2013 and onward, the interest rate used is "One minus the Reserve Requirement (RR) rate multiplied by the Special Deposit Account (SDA) rate (1-RR rate x SDA rate) as approved under MBR Nos. 1301 and 1308 both dated 08 August 2013.

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

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

b.1 Effective 06 April 2012, deposits maintained by banks with the BSP in compliance with the reserve requirements was no longer paid interest as per MB Res. No. 1924 dated 27 December 2011 and BSP Circular No. 753 dated 29 March 2012. Before its implementation, 40 per cent of the required reserves (excluding liquidity reserve) or demand deposit balance maintained with the BSP, whichever is lower, was paid interest at four per cent (4%) per annum. The interest was previously credited to the demand deposit accounts on a quarterly basis.

c. IMF currency holdings and other financial institutions.

c.1 The Republic of the Philippines 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 SDR596.636 million at 31 December 2015.

The balance of IMF's security holdings (SDR100.334 million) that includes a non-negotiable, non-interest bearing security encashable on demand and issued in the favor of the IMF, is held by the BSP on a custodial basis in its capacity as the IMF's depository.

The IMF revalues its local currency holdings on 30 April of each year at which time a currency valuation adjustment arises. For CY 2015, the appreciation of peso against the SDR by PHP5.871, from PHP68.175/SDR as at 30 April 2014 to PHP62.304/SDR as at 30 April 2015, resulted to a revaluation gain of PHP4.320 billion in the IMF local currency holdings with BSP. The revaluation is solely attributable to the NG since BSP has already fully paid its credit availments from Standby Credit Facility (SCF) and Extended Fund Facility (EFF) since December 2006. BSP booked the revaluation gain as reduction to the receivable from NG under the account "Accounts Receivable-TOP".

As at 31 December 2015, IMF Summary Statement of Position showed that the total IMF currency holdings aggregated to PHP48.395 billion consisting of the balances of "Account Nos. 1 and 2" of PHP39.245 billion, security holdings of PHP6.599 billion and accrued revaluation gain of PHP2.551 billion (covering the period May 2015 to December 2015). The valuation adjustments shall be booked in May 2016 to coincide with the IMF's records.

25. CURRENCY IN CIRCULATION

	2015	2014 (as restated)
Currency notes issued	1,465,079,620,505	1,128,024,007,770
Cash on hand - notes	(487,658,481,810)	(224,538,523,540)
Net notes in circulation	977,421,138,695	903,485,484,230
Currency coins issued	28,755,067,835	26,685,203,587
Cash on hand - coins	(981,270,766)	(668,535,645)
Net coins in circulation	27,773,797,069	26,016,667,942
Currency in Circulation, 31 December before adjustments	1,005,194,935,764	929,502,152,172
Less:		
Effect of restatement of prior period adjustments:		
Settlement of COA disallowance		(187,420)
Over-payment of out-patient medical expenses		(5,256)
	0	(192,676)
Currency in Circulation, 31 December as restated	1,005,194,935,764	929,501,959,496

Inventory of Currency Issued

	January 1 2015	Requisitions from CID	Retirement	December 31 2015
Currency issued				
Notes	1,128,024,007,770	983,307,781,420	(646,252,168,685)	1,465,079,620,505
Coins	26,685,203,587	2,075,031,298	(5,167,050)	28,755,067,835
	1,154,709,211,357	985,382,812,718	(646,257,335,735)	1,493,834,688,340
Cash on hand				
Notes				487,658,481,810
Coins				981,270,766
Total Held in BSP-CMSS and RMASS				488,639,752,576
Total currency in circulation				1,005,194,935,764

Details of currency in circulation are as follows:

Denomination	Quantity (No. of Pcs)		Amount		
	2015	2014	2015	2014 (as restated)	
Notes	100,000	127	127	12,700,000	12,700,000
	2,000	34,432	33,381	68,864,000	66,762,000
	1,000	630,847,197	542,961,143	630,847,197,000	542,961,143,000
	500	440,561,426	476,998,421	220,280,713,000	238,499,210,500
	200	24,921,546	44,313,466	4,984,309,200	8,862,693,200
	100	699,423,196	648,105,710	69,942,319,600	64,810,571,000
	50	566,940,849	526,462,331	28,347,042,450	26,323,116,550
	20	1,106,028,867	1,056,164,142	22,120,577,340	21,123,282,840
	10	66,763,551	67,524,463	667,635,510	675,244,630
	5	29,956,119	30,152,102	149,780,595	150,760,510
		3,565,477,310	3,392,715,286	977,421,138,695	903,485,484,230
Coins	10 - Piso	664,954,066	646,444,791	6,649,540,660	6,464,783,910
	5 - Piso	2,140,714,718	1,978,784,347	10,703,573,590	9,893,585,735
	1 - Piso	7,806,769,400	7,249,181,363	7,806,769,400	7,249,181,363
	25 - Sentimo	7,765,093,789	7,186,860,830	1,941,273,447	1,796,715,208
	10 - Sentimo	3,269,169,065	3,108,067,195	326,916,906	310,806,720
	5 - Sentimo	2,514,761,075	2,353,642,586	125,738,054	117,682,130
	1 - Sentimo	32,060,173	30,288,757	320,602	302,888
		24,193,522,286	22,553,269,869*	27,554,132,659	25,833,057,954
		3,784,034	3,379,837	219,664,410	183,609,988
Commemorative coins		24,197,306,320	22,556,616,106	27,773,797,069	26,016,667,942
Total currency in circulation, 31 December, before adjustments		27,762,783,630	25,949,331,392	1,005,194,935,764	929,502,152,172
Less: Effect of restatement of prior period adjustments			-**		(192,676)
Total currency in circulation, 31 December, as restated		27,762,783,630	25,949,331,392	1,005,194,935,764	929,501,959,496

* Adjusted by 33,600 pieces to correct the total number of 2014 pieces of coins in circulation due to inadvertent posting of 10-Piso demonetized coins to 5-Piso denomination in November 2014.

** Equivalent denominations of adjustments cannot be determined.

26. OTHER LIABILITIES

Note	2015	2014 (as restated)
Foreign currency financial liabilities		
Accounts payable	1,589,185,383	1,776,760,900
Accrued expenses	251,531,521	248,745,640
Derivatives liability	9,418,452	36,691,274
Other financial liabilities	217,654,680	1,066,047,586
Total	2,067,790,036	3,128,245,400

	Note	2015	2014 (as restated)
Local currency non-financial liabilities			
Retirement benefit obligations		2,374,944,979	1,577,549,184
Dividends payable	a	449,345,216	449,345,216
Miscellaneous liabilities		5,680,629,855	4,437,441,925
Accounts payable		2,890,820,649	2,254,150,342
Taxes payable		1,412,556,673	1,383,464,049
Accrued expenses		78,238,254	90,587,284
Other local currency liabilities		1,299,014,279	709,240,250
Total		8,504,920,050	6,464,336,325

	Balance, 31 December 2014, before adjustments	Adjustments	Balance, 31 December 2014, as restated
Foreign currency Financial Liabilities			
Accounts payable			
Reversal of interest on IMF remuneration	1,963,900,101	(187,139,201)	1,776,760,900
Local currency Non-Financial Liabilities			
Accounts payable			
Erroneous recognition of taxes and licenses		(229,928,389)	
Adjustments on sale/cancellation of sale and redemption of acquired assets		(10,810,324)	
Over set-up of accounts payable		(9,006,199)	
Rental collections and lessor's share on real estate tax		(1,862,516)	
Overpayment of personnel services		(108,511)	
Adjustment on application of payment		23,308	
	2,505,842,973	(251,692,631)	2,254,150,342
Taxes payable			
Overpayment of personnel services	1,384,481,296	(1,017,247)	1,383,464,049
Other local currency liabilities			
Deferred income			
Adjustments on sale/cancellation of sale and redemption of acquired assets		(2,556,685)	
Checks issued			
Cancelled checks		(438,250)	
Reserve for cash handling			
Closing of excess accrual		(321,605)	
Unrealized profit on assets sold			
Adjustments on sale/cancellation of sale and redemption of acquired assets		7,781,250	
Unearned interest income			
Realization of unearned interest		(963,159)	
	705,738,699	3,501,551	709,240,250

a. The amount refers to the total assigned value of the Pamintuan Mansion in Angeles City together with thirteen (13) other properties for conveyance to the National Government (NG) as property dividend for CY 2009 per MBR No. 761 dated 4 June 2010. This was decreased by the dividend deficiency for CY 1995 remitted to the NG in February 2014 through credit to the Regular Demand Deposit Account (RDDA) of the

TOP-Treasury Single Account maintained with the BSP. The Deed of Conveyance is still with the NG for signature.

27. CAPITAL ACCOUNTS

	Note	2015	2014 (as restated)
Capital	a	50,000,000,000	50,000,000,000
Surplus	b	(83,653,761,065)	(79,633,103,012)
Unrealized losses on Investments	c	(2,975,701,228)	(3,311,669,996)
Capital Reserves		77,796,017,271	77,860,914,897
Managed Funds			
Fidelity insurance fund		22,247,379,248	22,247,379,248
Currency insurance fund		2,798,665,272	2,798,665,272
BSP Properties Self-Insurance Fund		1,950,000,000	1,950,000,000
Retirement benefit fund		1,141,147,061	1,151,500,767
Directors'/officers' liability		1,092,289,420	1,092,289,420
		29,229,481,001	29,239,834,707
Other Fund			
Fluctuations in price of gold		42,582,587,455	42,582,587,455
Contingencies		3,646,871,739	3,646,871,739
Property insurance		1,600,000,000	1,600,000,000
SPC rehabilitation		676,565,094	727,676,862
Cultural Properties Acquisition Fund		51,178,365	54,610,517
Gold insurance fund		9,333,617	9,333,617
		48,566,536,270	48,621,080,190
Total		41,166,554,978	44,916,141,889

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

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

b. This includes the amount of PHP317.00 million representing funds received from the NG per SARO No. F-13-01344 dated 27 December 2013, for the implementation of various PICC building and facilities rehabilitation projects relative to the hosting of the Asia-Pacific Economic Cooperation (APEC) meeting in CY 2015.

In accordance with PAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the Surplus for calendar year 2014 is restated as follows:

Surplus, 1 January 2014, before adjustments	(71,864,788,447)
Add/(deduct):	
Restatement of adjustments on income and expenses prior to CY 2014	307,471,675
Surplus, 1 January 2014, as restated	(71,557,316,772)
Add/(deduct):	
Transactions for CY 2014	1,788,954,024
Surplus, 31 December 2014, before net loss	(69,768,362,748)
Net loss for the period, before adjustments	(10,114,536,491)
Add/(deduct):	
Restatement of adjustments on income and expenses for CY 2014	249,796,227
Net loss for the period, as restated	(9,864,740,264)
Surplus, 31 December 2014, as restated	(79,633,103,012)

The details of restated prior period adjustments on income and expenses and transactions for CY 2014 are presented in the Statement of Changes in Equity.

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

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

	2015	2014
Beginning balance	(3,311,669,996)	(6,886,063,890)
Effect of marking to market of gov't securities -		
Increase/(decrease) in government securities	335,968,768	3,574,393,894
Ending balance	(2,975,701,228)	(3,311,669,996)

28. INTEREST INCOME AND INTEREST EXPENSES

	2015	2014 (as restated)
Interest income from financial assets		
Interest income from foreign currency financial assets		
Investment securities	26,769,037,329	23,528,227,380
Other foreign currency receivables	3,805,011,350	3,566,615,656
Deposit with foreign banks	2,340,155,358	1,452,520,500
IMF special drawings rights	27,971,418	51,248,019
Gold Deposits	4,177,831	0
Loans and advances	393,377	1,906,507
Due from/(to) broker	64,590	0
	32,946,811,253	28,600,518,062
Interest income from local currency financial assets		
Investment securities	4,348,623,963	2,446,155,954
Loans and advances	1,696,726,998	1,815,671,017
Other receivables	199,542,311	142,348,397
	6,244,893,272	4,404,175,368
Total	39,191,704,525	33,004,693,430

Interest income on loans and advances, 31 December 2014, before adjustments	1,815,472,375
Add/(deduct):	
Adjustment on application of payment	106,057
Reversal of condonation of interest	87,649
Adjustment on deferred income	4,936
	198,642
Interest income on loans and advances, 31 December 2014, as restated	1,815,671,017
Interest income on other receivables, 31 December 2014, before adjustment	140,009,929
Add/(deduct):	
PICCI interest income	1,458,041
Adjustments to correct various account balances	471,215
Adjustments on sale/cancellation of sale and redemption of acquired asset	321,872
Redemption of acquired assets	87,340
	2,338,468
Interest income on other receivables, 31 December 2014, as restated	142,348,397

	2015	2014 (as restated)
Interest expense from financial liabilities		
Interest expense on foreign currency financial liabilities		
Bonds payable	1,987,309,889	1,906,307,030
Short term deposits	32,834,312	11,264,285
Allocation of IMF special drawing rights	26,580,239	48,229,252
	2,046,724,440	1,965,800,567
Interest expense on local currency financial liabilities		
Special deposit account	24,329,678,767	26,246,005,931
Securities sold under agreements to repurchase	12,388,767,417	11,058,232,764
Government deposits	10,024,381,572	6,872,463,225
Deposits of banks and other financial institutions	0	13,774,791
	46,742,827,756	44,190,476,711
Total	48,789,552,196	46,156,277,278
Interest expenses on Allocation of IMF special drawing rights, 31 December 2014, before adjustments		48,511,188
Add/(deduct):		
Reversal of interest expense on IMF remuneration		(281,936)
Interest expenses on Allocation of IMF special drawing rights, 31 December 2014, as restated		48,229,252

29. OTHER OPERATING INCOME

	2015	2014 (as restated)
Printing, minting and refinery	1,591,932,974	814,743,129
Fees – local		
Banking supervision/clearing/license fees	3,676,119,181	3,511,986,429
Processing and filing fees	1,343,262,235	1,062,824,395
Penalties and late charges	272,014,744	252,414,251
Transaction fee - PhilPaSS	133,895,819	144,948,471
Others	182,992,489	59,062,377
	5,608,284,468	5,031,235,923

	2015	2014 (as restated)
Other income		
Income on acquired assets	158,090,824	483,546,700
Rental on acquired assets	39,209,656	36,019,638
Rental on building and facilities	357,457,918	216,420,384
Other miscellaneous income	503,229,104	225,287,045
	1,057,987,502	961,273,767
Total	8,258,204,944	6,807,252,819

	Banking Supervision/ Clearing/License Fees	Penalties and Late Charges	Income on Acquired Assets
Balances, 31 December 2014, before adjustments	3,511,341,268	253,126,836	482,083,683
Add/(deduct):			
Effect of restatement of prior period adjustments:			
Adjustments on sale/cancellation of sale/redemption of acquired assets			953,491
Rental collection and client's share on real estate tax			402,897
Adjustment to correct account balances			110,729
Redemption of acquired assets		15,007	
Dacioned mortgage credit and real properties and other assets acquired at dacioned value/reversal due to collections	644,622	(727,592)	
Non-derecognition of assets disposed			(4,100)
Prior year's supervision fee	539		
	645,161	(712,585)	1,463,017
Balances, 31 December 2014, as restated	3,511,986,429	252,414,251	483,546,700

	Rental on Building and Facilities	Other Miscellaneous Income
Balances, 31 December 2014, before adjustments	10,486,047	367,747,690
Add/(deduct):		
Effect of restatement of prior period adjustments:		
Adjustment to correct account balances	(5,833,196)	
Refund of security deposits due to reversal of forfeitures	(2,049,755)	
Accrual of rental income	2,508,682	
Dacioned mortgage credit and real properties and other assets acquired at dacioned value		4,639,622
Adjustment on the application of payment PICCI income consolidated line-by-line to BSP income of similar nature		(1,882)
	211,308,606	(147,098,385)
	205,934,337	(142,460,645)
Balances, 31 December 2014, as restated	216,420,384	225,287,045

30. CURRENCY PRINTING AND MINTING COST

	2015	2014
Notes	6,032,917,492	4,905,633,369
Coins	2,151,744,312	1,857,898,751
Total	8,184,661,804	6,763,532,120

31. OPERATING EXPENSES

	2015	2014 (as restated)
Personnel services, development and training	11,353,460,542	10,763,126,045
Administrative expenses	3,005,473,367	2,565,149,953
Depreciation/amortization	688,467,204	668,663,742
Loss due to market decline	(1,086,686,970)	25,000
Total	13,960,714,143	13,996,964,740

Effective January 2015, the PICCI expenses with similar accounts to BSP are consolidated on a line-by-line basis while dissimilar items are lodged under the summary account 'Miscellaneous Expense-PICCI'. Further, the balances of some accounts were restated to conform to account classifications of CY 2015.

a. PERSONNEL SERVICES

	2015	2014 (as restated)
Salaries and wages	7,839,547,926	7,746,453,498
Defined contribution plans	1,875,503,146	1,845,102,305
Post-retirement benefits	802,576,500	325,175,462
Social security contribution	426,304,196	418,662,191
Sickness and death benefits	249,274,401	254,464,547
Personnel development and training	147,944,261	163,677,561
Medical and dental benefits	12,310,112	9,590,481
Total	11,353,460,542	10,763,126,045

The following personnel services account balances as of 31 December 2014 are restated as follows:

Accounts	Balance, 31 December 2014, before adjustments	Adjustments			Balance, 31 December 2014, as restated
		Prior Period Adjustments	PICCI Account Balances	Total	
Salaries and wages	7,680,128,861	(1,061,432)	67,386,069	66,324,637	7,746,453,498
Defined contribution plans	1,845,360,391	(258,086)		(258,086)	1,845,102,305
Post-retirement benefits	325,175,462			0	325,175,462
Social security contribution	418,721,124	(58,933)		(58,933)	418,662,191
Sickness and death benefits	254,554,667	(90,120)		(90,120)	254,464,547
Personnel development and training	166,878,769	(3,201,208)		(3,201,208)	163,677,561
Medical and dental benefits	9,590,481			0	9,590,481
	10,700,409,755	(4,669,779)	67,386,069	62,716,290	10,763,126,045

b. ADMINISTRATIVE EXPENSES

	2015	2014 (as restated)
Repairs and maintenance	491,258,555	446,864,951
Currency and gold operations expenses	316,068,234	209,331,024
Traveling expenses	305,297,919	274,359,268
Water, illumination and power services	283,217,350	300,387,627
Communication services	246,888,802	231,501,705
Acquired assets expenses	183,585,983	244,270,289
Consultants and specialist services	123,678,700	114,865,293
Taxes and licenses	140,036,568	136,270,933
Fidelity and property insurance	67,672,826	47,685,824
Conference, workshop and convention expenses	63,102,030	40,344,104
Grants, subsidies and contributions	56,738,217	63,733,225
Supplies and materials	52,615,673	58,506,663
Auditing services	40,602,834	60,354,527
Rentals	25,232,047	26,459,837
Ammunitions	5,221,067	6,775,218
Discretionary expenses	3,883,228	2,985,276
Bad debts	805,466	124,916,036
Others	599,567,868	175,538,153
Total	3,005,473,367	2,565,149,953

The following administrative expense account balances as of 31 December 2014 are restated as follows:

Accounts	Balance, 31 December 2014, before adjustments	Adjustments			Balance, 31 December 2014, as restated
		Prior Period Adjustments	PICCI Account Balances	Total	
Repairs and maintenance	401,048,060	(2,508,843)	48,325,734	45,816,891	446,864,951
Currency and gold operations expenses	209,331,024				209,331,024
Traveling expenses	272,755,994	(84,654)	1,687,928	1,603,274	274,359,268
Water, illumination and power services	246,766,852*	(2,001,300)	55,622,075	53,620,775	300,387,627
Communication services	224,464,676*	(11,624)	7,048,653	7,037,029	231,501,705
Acquired assets expenses	482,908,656	(238,638,367)		(238,638,367)	244,270,289
Consultants and specialist services	114,903,040	(37,747)		(37,747)	114,865,293
Taxes and licenses	134,412,438		1,858,495	1,858,495	136,270,933
Fidelity and property insurance	47,318,116	25,199	342,509	367,708	47,685,824
Conference, workshop and convention expenses	39,973,085*		371,019	371,019	40,344,104
Grants, subsidies and contributions	63,384,579*		348,646	348,646	63,733,225
Supplies and materials	57,676,919*	83,922	745,822	829,744	58,506,663
Auditing services	59,629,375	(11,751)	736,903	725,152	60,354,527
Rentals	26,459,837				26,459,837
Ammunitions	6,775,218				6,775,218
Discretionary expenses	2,985,276				2,985,276
Bad Debts	124,573,370		342,666	342,666	124,916,036
Others	299,155,824	(87,282)	(123,530,389)	(123,617,671)	175,538,153
	2,814,522,339	(243,272,447)	(6,099,939)	(249,372,386)	2,565,149,953

* Restated for proper groupings and presentation of accounts

Taxes and licenses account balances for CYs 2015 and 2014 are reduced by the amounts of final taxes paid on interest income/discounts (presented as a separate line item in the Income Statement) and taxes and licenses paid on acquired assets (included in the total acquired assets expenses as shown in the succeeding table).

The acquired assets expenses consist of the following:

	2015	2014 (as restated)
Taxes and licenses	78,090,094	157,158,793
Security services	68,993,573	39,536,730
External professional services	11,828,604	22,226,759
Association condominium fees	9,116,931	12,517,925
Foreclosure expenses	8,184,027	3,335,686
Fidelity insurance	3,118,284	768,806
Legal fees	2,230,304	1,452,860
Repairs and maintenance	1,954,268	3,711,329
Light, fuel and water	69,898	3,561,402
Total	183,585,983	244,270,290

	Taxes and Licenses	Foreclosure Expenses
Balances, 31 December 2014, before adjustments	387,087,181	12,045,664
Add/(deduct):		
Effect of restatement of prior period adjustments:		
Erroneous recognition of taxes and licenses	(229,928,389)	
Capitalization of foreclosure expenses to investment property		(8,271,728)
Cancelled checks		(438,250)
Over statement of accounts payable reversal	1	
	(229,928,388)	(8,709,978)
Balances, 31 December 2014, as restated	157,158,793	3,335,686

c. DEPRECIATION/AMORTIZATION

Depreciation of BPPFE and amortization of CNAS as at 31 December 2014 are restated as follows:

	Depreciation	Amortization	Total
Depreciation expense, 31 December 2014, before adjustments	572,618,845	95,878,828	668,497,673
Add/(deduct):			
Reclassification from building improvement in progress to building improvement	241,412		241,412
Reclassification from building improvement to furniture and equipment	178,800		178,800
Additional depreciation corresponding to final payment for Batac's waste holding area	9,141		9,141
Reversal of accounts payable set-up for furniture and equipment	(1,258,606)		(1,258,606)
Reclassification from furniture and equipment to expense	(12,108)		(12,108)
Reclassification from books to CNAS		1,007,430	1,007,430

	Depreciation	Amortization	Total
	(841,361)	1,007,430	166,069
Depreciation expense, 31 December 2014, as restated	571,777,484	96,886,258	668,663,742

32. PROFIT FOR DISTRIBUTION

In view of the net loss incurred, BSP has no dividend to remit as prescribed under Section 132 (b) of RA No. 7653, The New Central Bank Act.

	2015	2014 (as restated)
Loss for the year	(4,453,142,672)	(9,864,740,264)

In accordance with PAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the Net Loss for calendar year 2014 was restated as shown in Note 27. The details of restated prior period adjustments on income and expenses are presented in the Statement of Changes in Equity.

33. TRUST FUNDS

	2015	2014
Comptrollership	25,078,266,390	25,132,686,451
Supervision & Examination Department-Rural Banks	2,217,286,336	2,214,863,869
Treasury Department-Domestic	1,948,647,997	1,975,514,986
Department of Loans and Credit-Accounting	437,349,567	405,802,356
Total	29,681,550,290	29,728,867,662

34. CASH AND CASH EQUIVALENTS

	2015	2014 (as restated)
Foreign currency assets		
Foreign investments - readily convertible to Cash	2,080,359,268,437	1,893,083,650,597
Deposit with foreign banks	650,127,421,940	649,206,644,074
Other cash balances (foreign currency on hand)	165,471,266	214,956,951
Non-IR foreign currency on hand	33,827,693	15,183,786
Other FX receivable - due from FX banks - special account	24,801,252	23,157,422
Due from foreign banks – NIR	0	2,046,743,335
	2,730,710,790,588	2,544,590,336,165
Local currency assets		
Government securities	222,527,922,167	222,313,000,652
Other receivables - due from local banks	438,751,149	447,069,289
Other receivables - revolving fund	255,769,199	259,178,306
Miscellaneous assets - checks and other cash items	(2,586,837)	622,473
	223,219,855,678	223,019,870,720
Demand liabilities		
Deposit of banks and other financial institutions	(2,353,185,461,878)	(2,302,546,049,895)
Government demand deposits	(355,207,894,968)	(363,478,959,225)
	(2,708,393,356,846)	(2,666,025,009,120)
Cash and Cash Equivalents, 31 December	245,537,289,420	101,585,197,765

35. RECONCILIATION OF OPERATING CASH FLOW WITH REPORTED NET LOSS

	2015	2014 (as restated)
Reported operating deficit	(4,453,142,672)	(9,864,740,264)
Operating cash flows from changes in asset and liability balances	(36,079,995,879)	(18,893,141,434)
Add/(deduct) non-cash items		
Depreciation	688,467,204	668,663,742
Provision for probable loss	353,362,912	468,933,468
Provision for market decline	(1,086,686,970)	25,000
Income tax expense/(benefit) due to movement in deferred income tax (DIT)	(333,339,134)	(37,606,192)
Amortization of premium/discount on bonds payable	(3,701,574)	(110,865)
	(381,897,562)	1,099,905,153
Add/(deduct) movements in other working capital items:		
Increase/(decrease) in miscellaneous liabilities	1,185,802,679	(932,027,560)
Increase/(decrease) in interest payable	249,399,590	1,371,569,941
(Increase)/decrease in interest receivable	(3,171,385,715)	(1,166,157,452)
(Increase)/decrease in accounts receivable	(546,223,920)	(552,679,246)
	(2,282,407,366)	(1,279,294,317)
Add/(deduct) investing and financing activities		
Net realized gain on FX rates fluctuation	(11,550,014,771)	(8,935,935,223)
Net cash provided by (used in) operating activities	(54,747,458,250)	(37,873,206,085)

36. TAXES

36.1 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:

	2015		2014	
	Amount	Percent	Amount (as restated)	Percent
Provision for income tax computed at the statutory income tax rate, before adjustments	(1,268,764,171)		(3,045,642,805)	
Add/(deduct):				
Restatements to financial statements computed at statutory rate	(167,180,371)		74,938,868	
Provision for income tax computed at the statutory income tax rate, as restated	(1,435,944,542)	(30.00)	(2,970,703,937)	(30.00)
Additions to/(reductions in) income tax resulting from the tax effects of:				
Non-deductible national taxes	273,564,664	5.72	178,278,984	1.80
Provision for allowance for doubtful accounts	172,487,028	3.60	147,664,982	1.49
Provision for unused leave credits	317,871,060	6.64	108,341,182	1.09
Interest Income subject to Final Tax	(1,304,587,189)	(27.26)	(733,846,786)	(7.41)

	2015		2014	
	Amount	Percent	Amount (as restated)	Percent
Prior year reversal of allowance for doubtful accounts	(31,090,927)	(0.65)	(124,923,621)	(1.26)
Actual leave credits paid	(82,133,243)	(1.72)	(79,020,149)	(0.80)
Income related to the sale of acquired assets	(43,105,465)	(0.90)	(138,315,442)	(1.40)
Provision for loss on market decline	(326,006,091)	(6.81)	7,500	0.00
PICC income and expenses	(35,323,832)	(0.74)	(2,430,273)	(0.02)
Debits on valuation allowance credited to Miscellaneous Income	(450,496)	(0.01)	(10,004,049)	(0.10)
Written-off accounts	(9,230,293)	(0.19)	(54,066)	(0.00)
Taxable adjustments to surplus	0	0.00	289,157,780	2.92
	(1,068,004,784)	(22.32)	(365,143,958)	(3.69)
Actual provision for corporate income tax	(2,503,949,326)	(52.32)	(3,335,847,895)	(33.69)

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

36.2 Deferred Income Taxes

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

	2015	2014
Deferred tax asset		
Allowance for doubtful accounts	1,910,796,614	1,779,080,476
Unused leave credits	709,002,572	473,264,755
Tax overpayments	4,640,120,746	4,280,661,693
PICC unused tax credit (for consolidation purposes)	9,195,469	34,183,429
Total deferred income tax assets	7,269,115,401	6,567,190,353

The movement in DTA account is summarized as follows:

	2015	2014
Net balance at the beginning of the year, before adjustments	6,567,190,353	6,520,568,728
Add/(deduct):		
Temporary differences charged to income tax expense	367,453,955	41,988,323
PICC unused tax credits (for consolidation purposes)	(24,987,959)	4,633,302
	342,465,996	46,621,625
Net balance at the end of the year, before adjustments	6,909,656,349	6,567,190,353
Add/(deduct):		
Net adjustments to income tax overpayments	359,459,052	0
Net balance at the end of the year	7,269,115,401	6,567,190,353

Income tax overpayments recorded under the DTA account comprise the excess of BSP's quarterly payments of income taxes under regular rate over the regular income

tax computed in its annual adjusted return. These overpayments are carried over as tax credits for the next taxable periods.

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

	2015	2014
Provision for allowance for doubtful accounts	172,487,027	147,664,982
Provision for unused leave credits	317,871,060	108,341,182
Reversal of account valuations	(31,540,596)	(134,943,626)
Actual leave credits paid	(82,133,243)	(79,020,149)
Written-off accounts	(9,230,293)	(54,066)
Temporary differences charged to income tax expense	367,453,955	41,988,323

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

Year Incurred	2015	2014 (as restated)
2011		38,802,844,780
2012	98,936,485,378	98,936,485,378
2013	20,250,633,213	20,250,633,213
2014	11,119,492,982	11,119,492,982
2015	8,346,497,753	
	138,653,109,326	169,109,456,353
Expired Portion		
2011		(38,802,844,780)
2012	(98,936,485,378)	
Outstanding NOLCO	39,716,623,948	130,306,611,573
Tax Rate	30%	30%
	11,914,987,184	39,091,983,472

NOLCO, 31 December 2014, before adjustments		11,139,416,708
Add/(deduct):		
Net Restatement of prior period adjustments on:		
Interest income on loans and advances		(198,642)
Banking supervision/clearing/license fees		(645,161)
Penalties and late charges		712,585
Income on acquired assets, net income restatement subject to final tax		
Net restatement	(1,463,017)	
Less: Restatement subject to final tax	55,888	(1,518,905)
Rental on building and facilities		5,374,269
Other miscellaneous income		(4,637,741)
Personnel services		(4,669,779)
Administrative expenses, net of restatement on non-deductible tax		
Net restatement	(243,272,447)	
Less: Restatement on non-deductible tax	(229,928,389)	(13,344,058)
Depreciation/amortization		166,069
Net adjustments on interest income on other receivables		
Adjustments to correct various account balances		(471,215)
Adjustments on sale/cancellation of sale and redemption of acquired asset		(321,872)
Redemption of acquired assets		(87,340)
Reversal of interest expense on IMF remuneration		(281,936)
		(19,923,726)
NOLCO, 31 December 2014, as restated		11,119,492,982

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

Similarly, the mark-to-market valuation of domestic securities booked directly to equity under the account "Unrealized Losses on Domestic Investments" are not considered as DTA components as the future taxable profit will not be sufficient to absorb these deductible temporary differences. The deferred tax asset that should have been recognized on the said mark-to-market account is PHP0.893 billion in 2015 and PHP0.994 billion in 2014.

Revaluation of International Reserve (RIR) account amounting to PHP73.897 billion is not included as a DTA component pursuant to Section 45 of R.A. 7653 which states that "profits or losses arising from any revaluation of the Bangko Sentral's net assets or liabilities in gold or foreign currencies with respect to the Philippine peso shall not be included in the computation of the annual profits and losses of the Bangko Sentral".

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

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year 2015.

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 PHP0.218 billion based on the rental of owned/acquired properties, sale of printing and other services, and other income from proprietary activities reflected in the Miscellaneous Income account of PHP1.816 billion.

b. The BSP has exempt sales corresponding to the sale of its real and other properties acquired (ROPA), classified as governmental functions exempt from VAT, pursuant to Revenue Memorandum Circular No. 65-2008 dated 05 September 2008. These properties are treated as capital assets and the sales were subjected to Capital Gains Tax.

c. Input VAT claimed during the year amounted to PHP0.027 billion recognized from local purchases and importations of various goods and services.

d. The landed cost of the BSP's importations not related to activities mentioned in Section 126 of R.A. 7653 (see Note 2.29) amounted to PHP0.202 billion for the year, with paid/accrued amount of PHP0.029 billion as customs duties tariff fees.

e. 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:

	2015	2014
Local Taxes		
Real estate tax	132,739,988	132,902,822
Taxes and licenses related to acquired assets	40,042,134	52,195,431
Others (registration fees, licenses, permits)	1,252,268	1,278,616
Total	174,034,390	186,376,869
National Taxes		
Capital gains tax on sale of acquired assets	38,047,960	104,963,361
Donor's tax	4,112,790	231,000
Total	42,160,750	105,194,361

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

	2015	2014
Final withholding tax on income	9,440,282,577	9,069,182,220
Withholding tax on compensation and benefits	1,915,152,922	1,990,498,092
VAT and other percentage tax withheld	2,001,925,003	935,785,791
Expanded withholding tax	99,961,098	103,755,690
Excise tax collected	15,759,781	20,886,365
Total	13,473,081,381	12,120,108,158

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

(1) In 2013, the BSP was issued a Final Assessment Notice (FAN) for internal revenue taxes for taxable year 2009. The BSP partially resolved the tax audit for taxable year 2009 with payments for deficiency internal revenue taxes in the amount of PHP3.838 billion. The related BSP application for abatement/cancellation of interest amounting to PHP0.639 billion remains to be pending with the BIR. The 2009 BIR assessment for final withholding of percentage tax amounting to PHP1.335 billion basic tax, and PHP1.037 billion interest as of 29 November 2013 remain unresolved and the same is subject of the case entitled *Bangko Sentral ng Pilipinas vs Commissioner of Internal Revenue*, docketed as CTA Case No. 8810.

(2) After the BSP filed a protest to the 27 December 2013 FAN issued by the BIR against BSP for 2010 deficiency taxes, the BSP, received on 02 May 2014 a Final Decision on Disputed Assessment (FDDA) amounting to PHP9.399 billion with interest of PHP6.242 billion computed as of 30 June 2014 and surcharges of PHP1.496 billion. To appeal the FDDA, the BSP filed the case entitled *Bangko Sentral ng Pilipinas vs. Commissioner of Internal Revenue* docketed as CTA Case No. 8827.

The BSP is also currently undergoing audit of its tax liabilities covering taxable year 2011 and 2012.