

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

**1. GENERAL INFORMATION**

The Bangko Sentral ng Pilipinas (BSP) was established on 3 July 1993 as a central monetary authority of the Republic of the Philippines (ROP) pursuant to Republic Act (RA) No. 7653, otherwise known as “The New Central Bank Act”, as amended by RA No. 11211. Under this Act, it shall function and operate as an independent and accountable corporate body in the discharge of its mandated responsibilities concerning money, banking and credit. It maintains the country’s international reserves, performs credit operations, engages in open market operations, exercises supervision over banks and non-bank financial institutions performing quasi-banking, operates the interbank real-time gross settlement system, acts as a banker of the government, determines the exchange rate policy of the country, and has the sole power and authority to issue currency. It is also responsible for the printing of banknotes and production of circulation coins. As an independent central monetary authority, it enjoys fiscal and administrative autonomy and the nature and extent of its activities and operations are guided by the performance of these functions.

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

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

The BSP has five (5) Regional Offices (ROs) sited in Quezon City - the GMRO; Baguio City - the North Luzon Regional Office; BSP Head Office - the South Luzon Regional Office; Cebu City - the Visayas Regional Office; and Davao City - the Mindanao Regional Office. There are Regional Branches (RBs) in twenty (20) locations. These offices/branches perform cash operations and gold buying operations (in 2 ROs and 2 RBs).

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

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

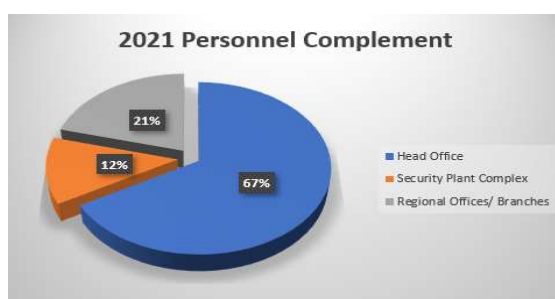
The Governor is the chief executive officer of the BSP and is required to direct and supervise its operations and internal administration. Under the amended Charter, the Governor with the approval of the MB shall appoint not more than five (5) Deputy Governors who shall perform duties as may be assigned to them by the Governor and the Board. As of 31 December 2021, the deputy governor heads each of the four (4) existing operating sectors, with the following functions:

- a. Monetary and Economics Sector (MES) takes charge of the operations/ activities related to monetary policy formulation, implementation and assessment.
- b. Financial Supervision Sector (FSS) regulates the banks and other BSP supervised financial institutions, as well as exercises oversight and supervision of financial technology and payment systems.
- c. Corporate Services Sector (CSS) oversees the effective management of corporate strategy and communications, as well as the human, financial, and physical resources to support the BSP’s core functions.
- d. Payments and Currency Management Sector (PCMS) maintains the safety and integrity of the Philippine currency and ensures a well-functioning payments and cash ecosystem that facilitates the economic activities and supports long-run economic growth.

The Currency Management (CM) handles the forecasting, production, distribution and retirement of Philippine currency; production of security documents, commemorative medals and medallion; and the mint and gold refinery of the SPC. It also oversees the preservation of the integrity and issuance of currency to GMRO and other Regional Operations offices/branches.

As of 31 December 2021, the BSP has a total personnel complement of 5,575 employees consisting of 5,487 regular and 88 contractual, distributed according to location, as follows:

Location	CY 2021	CY 2020	Change
Head Office	3,717	4,305	(588)
Security Plant Complex	698	675	23
Regional Offices/ Branches	1,160	582	578
<b>Total</b>	<b>5,575</b>	<b>5,562</b>	<b>13</b>



In these financial statements, the BSP is also referred to as the “Bank.” The MB has approved the release of the financial statements on 29 June 2022.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **2.1 Basis of preparation of financial statements**

Under Section 3 of The New Central Bank (RA No. 7653), as amended by RA No. 11211, the primary objective of the Bangko Sentral is to maintain price stability conducive to a balanced and sustainable growth of the economy and employment. In line with this objective, the Bank's financial statements have been prepared in compliance with the provisions of RA No. 7653, as amended by RA No. 11211, and applicable Philippine Financial Reporting Standards (PFRSs) and Philippine Accounting Standards (PASs) as aligned with the provisions of International Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs). It is the Bank's position that having considered its responsibilities in the formulation and conduct of effective monetary policy, it is appropriate to deviate, in some aspects, from the adoption of relevant PFRSs and PASs.

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

Unless otherwise stated, the balances for calendar year (CY) 2021 are prepared under the historical cost convention and/or applicable PFRS/PAS.

### **2.2 Cash flows**

Cash and cash equivalents (CCE) are financial instruments that are highly liquid and are used in the day-to-day cash management operations of the BSP. These include the highly liquid foreign currency financial reserve assets of the Bank and local currency financial assets that arise from its management of the National Government (NG) account. These also include other foreign and local demand deposits with other financial institutions, revolving fund in the form of receivables from accountable BSP employees and checks and other cash items. The CCE include government short-term deposits, deposits of banks and other financial institutions which are cash liabilities of BSP, hence, are deducted therefrom.

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

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

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

### **2.3 Consolidation**

The BSP's financial statements include the accounts of the Bank and the PICCI as of 31 December 2021. Due to immateriality of the balances of the accounts of PICCI, "consolidated" was omitted from the heading of the statement. All inter-company balances are eliminated prior to consolidation.

In accordance with the provisions of PAS 27 - Consolidated and Separate Financial Statements, the "Investment in PICCI" account was created to record the PHP50.000 million investment of the BSP in PICCI consisting of 500 shares of stock with par value of PHP100.000 thousand. On 28 December 2020, the MB approved the request of PICCI to increase its authorized capital stock from PHP50.000 million to PHP1.000 billion and authorize the BSP through its Management, to subscribe to 2,500 shares of the increased capitalization of PICCI. On 28 January 2021, the BSP paid the amount of PHP250.000 million for the 2,500 subscribed shares. The balance sheet and income statement accounts of PICCI are consolidated line by line of like items with BSP. Income and expense accounts of dissimilar nature with BSP's are consolidated under two summary accounts, namely: "Miscellaneous Income-PICCI" and "Miscellaneous Expenses-PICCI", respectively.

### **2.4 Subsidiary**

The BSP wholly owns the PICCI. Its Board of Directors is composed of two (2) members from the BSP, the Governor as Chairman and the CSS Deputy Governor as Vice-Chairman and five (5) members from private sector. Its principal officers are the general manager, the deputy general manager 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 PICCI. Under the Second Amendatory Agreement entered into by and between the PICCI and the BSP effective 01 January 2020, the former is entitled to a management fee as compensation equivalent to five per cent (5%) of the gross profit, which shall be payable quarterly. For this purpose, gross profit shall mean all revenues (excluding interest income) after deducting cost of service. Said management fee is used to undertake activities for the benefit and welfare of its employees. The BSP provides the PICCI's annual budget for capital expenditures and operational expenses. Its approved budget is accounted under "Due from PICCI" for capital expenditures and under "Advances to PICCI" for operational expenses.

Under PAS 24 - Related Party Disclosures, an entity is related to a reporting entity if the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others). Additionally, a related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

## 2.5 Presentation and recognition

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

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

## 2.6 Currency of presentation

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

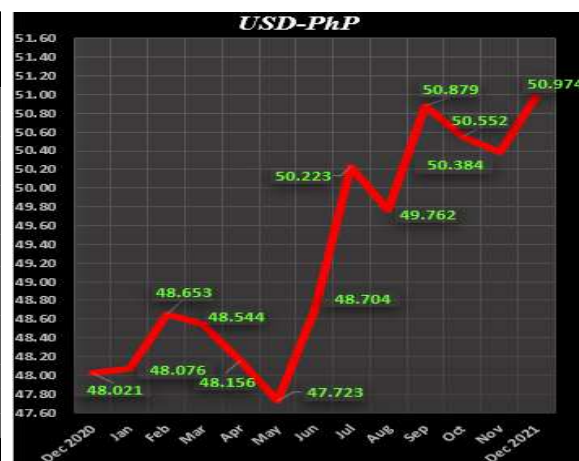
## 2.7 Foreign currency translation

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

The WAER at reporting date is used by BSP in translating foreign currency denominated assets and liabilities, instead of the closing rate as prescribed in paragraph 23 of PAS 21, since the WAER is a more representative rate as it captures the results of all done transactions for the day in the Bankers Association of the Philippines USD/PHP spot trading rather than a closing rate which is based on the last transaction for the day. The use of WAER increased the foreign denominated assets and liabilities by PHP255.48 billion and PHP4.70 billion, respectively.

Exchange rates used are based on the published BSP Reference Exchange Rate Bulletin (RERB). The PHP versus the USD depreciated by PHP2.953 or 6.15%, from PHP48.021 as of end December 2020 to PHP50.974 as of end December 2021. The end-December 2021 rate of PHP50.974 was used in the financial statements. Following are the prevailing month-end WAERs in 2021.

For the Month Ended	Exchange Rate USD-PHP	Change Inc/(Dec)
<b>2021</b>		
December	50.974	0.590
November	50.384	(0.168)
October	50.552	(0.327)
September	50.879	1.117
August	49.762	(0.461)
July	50.223	1.519
June	48.704	0.981
May	47.723	(0.433)
April	48.156	(0.388)
March	48.544	(0.109)
February	48.653	0.577
January	48.076	0.055
<b>2020</b>		
December	48.021	
<b>AVERAGE</b>	<b>49.386</b>	



## **2.8 Recognition of income and expense**

### **2.8.1 Interest income and expenses**

The BSP follows the accrual basis of accounting. Interest income and expenses are recognized in the income statement for all instruments measured at fair market value/amortized cost. Interests are accrued monthly. Likewise, discounts/premiums are amortized monthly using the effective interest rate method.

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

### **2.8.2 Fee income**

Banks and non-banks institutions, which are subject to the BSP's supervision and examination, pay an annual supervisory fee (ASF) in an amount equivalent to a certain percentage of their preceding year's average net assessable assets. The ASF shall be collected through the Philippine Payment Settlement System (PhilPaSS), now enhanced as *PhilPaSS<sup>plus</sup>*, on the specified date referred to in the billing notice sent by the Department of Supervisory Analytics (DSA). Collection thru *PhilPaSS<sup>plus</sup>* is made only for member banks. On the other hand, collection for non-members is made thru application of the bank's Demand Deposit Account (DDA) balance in the BSP. Meanwhile, Offshore Banking Unit's (OBU) annual fees are collected by way of wire transfer through the Financial Markets (FM).

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

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

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

### **2.8.3 Gains or losses due to changes in price and exchange rates**

The BSP complies with the requirements of PAS 21 - The Effects of Changes in Foreign Exchange Rates and PFRS 9 - Financial Instruments with regard to the reclassification, marking to market and revaluation of the financial assets, liabilities and derivative instruments but not with the provisions on the booking of unrealized and realized gains or losses due to changes in price and foreign exchange (FX) rates.

The BSP recognizes unrealized gains or losses in accordance with Section 45 of the BSP Charter. Unrealized gains and losses due to changes in price and exchange rates of financial assets, liabilities and derivative instruments are booked under "Revaluation of International Reserves" (RIR) account and presented either as asset (if loss) or liability (if gain). Realized gains or losses due to changes in price are recognized upon sale of gold and foreign or domestic securities. Meanwhile, gains or losses due to changes in FX rates are realized only when (1) the foreign currency is repatriated to local currency, (2) the foreign currency is used to pay foreign obligations, or (3) upon maturity of a foreign currency-denominated forward or option contract involving the PHP. The FX gains or losses arising from the sale of third currencies to USD or vice versa and re-investments shall continue to be treated as unrealized FX gains or losses since the BSP is still exposed to FX rate fluctuations.

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

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

Notwithstanding the provisions of PFRS 15 - Revenue from Contracts with Customers, the BSP adopts the installment method of accounting for the income earned on disposal of BSP acquired properties. The accounting policy and procedures in recording the disposal or sale on installment basis of acquired properties were approved under MBR No.1949 dated 13 December 2019.

Further, the revisions of the guidelines and procedures in the disposal of BSP acquired properties through negotiated sale, which effectively limit the terms of sale to cash basis, were approved under MBR No. 1368 dated 22 October 2020.

## **2.9 Financial Assets**

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

## 2.9.1 Classification and measurement

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

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

Based on the above criteria, the BSP's financial assets are reclassified into a more appropriate classification in accordance with the requirement of PFRS 9 as aligned with the provisions of Section 45 of RA No. 7653, as amended by RA No. 11211, as follows:

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

### 2.9.1.1 Amortized cost (AC)

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

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

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

The financial assets booked by the FM classified as AC include deposits with foreign banks, foreign securities purchased under agreements to resell, Loan to International Monetary Fund (IMF), IMF Special Drawing Rights (SDR), hold-to-collect investment securities, and banks' availments in the BSP Overnight Lending Facility. These assets meet the Hold-to-Collect business model and SPPI test.

Foreign currency denominated financial assets measured at AC are translated to PHP using WAER at reporting date. Change in FX rates is the difference between the prevailing FX rate and historical moving average FX rate. In compliance with Section 45 of the BSP Charter, the unrealized gains or losses due to change in FX rates are booked in the RIR account in the balance sheet. Upon derecognition, the gains or losses due to change in price, if any, are recognized in the income statement. Financial assets are derecognized when the right to receive cash flows from the investments have expired or have been transferred and the BSP has relinquished all the risks and rewards of ownership.

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



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

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

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

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

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

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

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

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

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

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

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

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

section of the balance sheet. Upon derecognition, gains or losses are recognized in the income statement.

Financial assets classified as FVOCI include domestic securities such as Treasury Bills and Fixed Rate Treasury Bonds.

## 2.9.2 Reclassification

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

a. Gold portfolio was reclassified from FV to AC to conform with the MB's directive under MBR No. 969 dated 14 June 2018, to adopt a passive strategy for BSP's gold holdings consistent with the rationale of holding gold for insurance and security. The recorded unrealized price gains/(losses) is reversed contra the principal account, thus, the gold portfolio is measured at reclassification date as if it had always been measured at amortized cost.

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

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

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

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

a. **From AC to –**

1. FVOCI - the asset is measured at FV at reclassification date with any difference between the previous AC and FV recognized in the OCI; or
2. FVRR - the asset is measured at FV at the reclassification date with any difference between the previous AC and FV carried in the RIR account.

b. **From FVOCI to AC** - the asset is measured at FV at reclassification date with cumulative gains or losses previously recognized in the OCI reversed contra the financial asset account. As a result, the financial asset is measured at reclassification date as if it has always been measured at AC.

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

### 2.9.3 Impairment of financial assets

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

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

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

1. Probability of Default (PD) – represents the likelihood that the borrower/accountee will default either over the next 12 months (12-month PD) or over the remaining life of the financial assets (lifetime PD).
2. Exposure at Default (EAD) – the amount which the BSP expects to be owed at the time of default, over the next 12 months (12-month EAD) or over the remaining life (lifetime EAD). The 12-month EAD and lifetime EAD are determined based on the expected payment profile, which varies by product type. For amortizing and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis.
3. Loss Given Default (LGD) – represents BSP’s expectation of the extent of loss on a defaulted exposure expressed as a percentage loss per unit of exposure at the time of default.

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

The BSP employs practical expedients in measuring SICR under PFRS 9. This includes taking into consideration the credit ratings of certain counterparties based on external

ratings and other market information to determine if a financial instrument has low credit risk.

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

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

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

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

The objective of the impairment requirements is to recognize lifetime ECL for all financial instruments for which there have been an SICR since initial recognition, assessed whether on an individual or collective basis, considering all reasonable and supportable information including that which is forward-looking.

If at reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Otherwise, if at reporting date, the credit risk on that financial instrument has increased significantly since initial recognition, an entity shall measure the loss allowance for a

financial instrument at an amount equal to the lifetime ECL. For loans and advances with a maturity of less than 12 months, the lifetime PD is the same as the 12-month PD.

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

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

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

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

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

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

## **2.10 Acquired assets held for sale**

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

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

## **2.11 Investment property**

These are land and buildings acquired by the BSP either through (1) foreclosure (legal proceedings initiated by the Bank to acquire the collateral securing the loan of the defaulting bank); (2) dacion en pago in settlement of loans and advances of defaulting banks; (3) assignment by PDIC of assets of closed banks based on the Final Project of Distribution or Final Asset Distribution Plan approved by the Liquidation Court; or (4) assets acquired through the implementation of execution on judgement over real properties in settlement of the BSP's deficiency claims against defaulting banks (legal proceedings initiated by the Bank in case there are still deficiency claims after all the underlying collaterals of the borrower-bank were judicially/extra judicially acquired by the BSP). These assets are held until such time that these are readily available for disposition and are reclassified to acquired assets held for sale.

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

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

## **2.12 Bank premises, furniture, fixtures, and equipment (BPFPE)**

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

The initial cost of the BPFPE consists of purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation,

such as repairs and maintenance are charged against operations in the year in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of BPFPE beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are derecognized, and any resulting gain or loss is carried in the income statement. Depreciation, which starts the following month after acquisition, is computed using the straight-line method based on the following expected useful life of depreciable assets, after deducting ten per cent (10%) residual value:

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

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

Assets acquired through import Letters of Credit (L/Cs) are recognized as “In-transit” account contra a liability account upon receipt of advice/proof of loading/shipment from suppliers and reclassified to the appropriate asset account upon actual receipt of the imported asset. Any exchange differential between the recognition of the liabilities and actual payment upon L/C negotiation is treated as gain or loss on fluctuations in FX rates. Customs duties, brokerage fees and other related expenses (when not exempt) are capitalized.

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

### **2.13 Intangible assets**

Under PAS 38 - Intangible Assets, an intangible asset is an identifiable non-monetary asset without physical substance. The identifiable criterion is met when the intangible

asset is separable (when it can be sold, transferred, licensed, rented or exchanged) or when it arises from contractual or other legal rights. It shall be derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset.

Computer software and application systems (CSAS) shall be recognized as an asset if it is probable that the future economic benefits attributable to the asset will flow to the entity and the cost can be measured reliably. CSAS is carried at cost or the capitalized development cost of computer software programs less any accumulated amortization computed using the straight-line method based on estimated useful life of five (5) years. The revised useful life shall be determined for CSAS with revised carrying amount due to replacement, enhancements or improvements as basis for the computation of periodic amortization. Subscription or licensing services for the right to use the CSAS with a contract period of more than one year shall be booked as CSAS. For capitalized subscription and licensing services for CSAS arising from contractual or legal rights, the amortization shall be the contract period or its useful life, whichever is shorter.

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

#### **2.14 Leases**

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

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

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

#### **2.15 Inventories**

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



including costs incurred in bringing the inventory to BSP premises. Issuances are valued based on moving average method.

Finished currency notes and coins are recognized as “*finished goods*” once these are packed and ready for delivery and as “*currency inventory*” upon physical transfer from CPSS to the CPID. Currency production expenses for imported and in-house produced notes and in-house produced coins are recognized in the BSP income statement only upon issuance of notes and coins from CPID to GRMO, and RO offices/branches, for circulation to the banks and public. BSP values the currency inventory and issuances based on specific identification method of inventory valuation.

## **2.16 Heritage Items**

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

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

While items acquired by BSP thru donation shall be valued, as follows:

- i. The fair value or cost as stated in the deed of donation or in any other relevant documents submitted by the donor, including any directly attributable costs.
- ii. Where it is not practicable to obtain valuation of the donated item, the same shall be measured at nominal value of PHP1.00.
- iii. Heritage items which were transferred to the BSP from the former CBP shall be valued at transfer cost.

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

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

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

## **2.17 Financial liabilities**

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

Foreign currency denominated financial liabilities are translated to the PHP using WAER at reporting date. Change in exchange rates is the difference between prevailing FX rate and historical moving average FX rate. In consonance with Section 45 of the BSP Charter, the unrealized gains or losses due to change in FX rates for outstanding financial liabilities as of reporting date, are booked in the RIR account in the balance sheet. Upon derecognition, the realized gains or losses are recognized in the income statement.

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

Financial liabilities denominated in local currency refer to deposits of the NG, banks and other financial institutions. All banks and quasi-banks operating in the country are required to maintain reserves against their deposit and/or deposit substitute liabilities. The reserve position of each bank or quasi-bank is calculated daily on the basis of the amount of the institution's reserves at the close of business for the day and the amount of its liability accounts against which reserves are required to be maintained.

Interest is accrued monthly and recognized in the income statement. See Note 2.8.1.

## **2.18 Derivative instruments**

The BSP engages in derivative contracts, such as forwards, swaps, options and futures, which are not intended for hedging. In line with PFRS 9, derivative instruments shall be (i) initially recognized at FV on the date on which the derivative contract is entered into; and (ii) subsequently measured at prevailing FV at reporting date. Changes in price or exchange rates are recognized in the RIR account in the balance sheet, and in the income statement upon derecognition.

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

For swaps, a purchase/sale of the currency is recorded for the first leg at spot date simultaneously with the set-up of contingent asset/liability for the second leg. For USD/PHP swaps, realized gains or losses, due to change in FX rates on the first leg (i.e., sale of USD for PHP) is recognized in the income statement and computed as the difference between the contracted spot rate on value date and the historical moving average rate. For third currency swaps, gains or losses are not recognized on the first leg. At month-end, the second leg is marked-to-market and the unrealized gains or losses due to change in FX rates are booked under the RIR account. At maturity date, the contingent asset/liability is reversed and the sale/purchase of the currency is recorded. The corresponding realized gains or losses due to change in FX rates, computed as the difference between the spot rate on maturity date and the forward rate (for USD/PHP swaps) or the historical moving average rate (for third-currency swaps) is recognized in the income statement. The RIR account is reversed at month-end.

For options, a derivative asset or liability is recognized on spot date when premium is paid or received. The derivative asset or liability is revalued and marked to market at month-end and the unrealized gains or losses due to change in FX rates and price are booked under the RIR account. At maturity date or once the option is exercised prior to maturity, the derivative asset or liability is reversed while the premium paid or received from the options is reclassified to “Premium Received/(Paid) on Call/Put Option” account and recognized in the income statement. Furthermore, if an option is exercised resulting in the sale of underlying asset, trading gains or losses from the sale are also recorded in the income statement. The RIR account is reversed at month-end.

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

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

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

The OLF is a BSP standing facility which allows counterparties to obtain overnight liquidity from the BSP on an open-volume basis against eligible collateral in order to cover short-term liquidity requirements. The OLF is open to banks (universal, commercial, specialized, thrift and digital) and non-banks performing quasi-banking functions (NBQBs).

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

Overnight RRP refers to the BSP’s monetary instrument where the BSP sells government securities with a commitment to buy them back at the next banking day at a predetermined rate. RRP are open to banks (universal, commercial, specialized, thrift and digital) and NBQBs. These counterparties may enter into RRP transactions with the BSP by participating in the RRP auction operation.

The BSP withholds twenty per cent (20%) final withholding tax (FWT) on interest on RRP transactions. In view of the Bureau of Internal Revenue (BIR) Ruling dated 29 June 2020, the BSP discontinued withholding the five per cent (5%) gross receipts tax (GRT) on interest accruing on RRP transactions after 31 July 2020.

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

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

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

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

The TDF is a liquidity absorption facility used by the BSP for liquidity management. It is used to withdraw a large part of the structural liquidity from the financial system to bring market rates closer to the BSP policy rate. The BSP offers TDF in tenors of seven (7) days and fourteen (14) days. Pre-termination is prohibited for the 7-day tenor but is allowed for the 14-day tenor at the appropriate pre-termination rate after a 7-day holding period. The TDF auction is operated using a variable-rate, multiple-price tender (English auction) in order to bring short-term interest rates within a reasonably close range to the policy rate. Banks (universal, commercial, thrift and digital) and NBQBs can participate in the TDF.

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

#### **2.19.5 BSP securities facility (BSP SF)**

BSP Securities are negotiable monetary instruments issued by the BSP for its monetary policy implementation and liquidity management operations to steer short-term market interest rates towards the policy rate and influence liquidity conditions in the financial system. The issuance of BSP securities complements the other short-term monetary policy tools to manage liquidity in the financial system, such as, the OLF, RRP, ODF and TDF. The issuance of BSP Securities provides greater flexibility in managing the liquidity in the financial system. BSP Securities adds to the pool of risk-free assets in the financial system alongside the securities issued by the NG which can be traded for liquidity purposes. Through the regular auction of BSP Securities, the issuance of BSP Securities can help improve price discovery for debt instruments and support monetary policy transmission in the process. BSP Securities are considered high-quality liquid assets (HQLA) for the computation of liquidity coverage ratio (LCR), net stable funding ratio (NSFR), and minimum liquidity ratio (MLR). Banks (universal, commercial, thrift and digital) and NBQBs can participate in the auction and secondary market trading while trust entities are allowed to buy and sell BSP Securities in the secondary market. The BSP currently offers twenty-eight (28)-day Bills and the transactions are subject to twenty per cent (20%) FWT.

#### **2.19.6 Securities lending agreements**

To enhance returns on investments in foreign securities and to offset custody fees, the BSP, through its securities lending agents, engages in securities lending transactions. Securities under custody may be lent out to approved borrowers, such as banks, securities dealers, and other market makers, who may require such securities to meet settlement commitments or to participate in various arbitrage and hedging activities. Securities lending involves the temporary exchange of securities for cash or collateral securities with an obligation to deliver securities at a future date.

For loans collateralized with cash, the difference between the rebate rate and re-investment rate determines the securities lending income. On the other hand, loans collateralized with securities earns a lending fee based on the market value of the loaned securities. Both the rebate and lending fee are negotiated at the time of the transactions and can be amended during the life of the loan in response to changing market conditions. Income received from securities lending are recognized in the income statement.

While foreign securities lent out remain in the foreign securities account in the balance sheet, these are reclassified every end of the month to distinguish the same from those which are free from any encumbrance. The reclassification entry is reversed every first working day of the following month.

## **2.20 Currency in circulation**

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

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

## **2.21 Employee benefit plans**

The Funds listed below had been set up for BSP employees. The BSP's contributions to the Funds are charged to operating expenses and recognized in the income statement. Contributions to and augmentation of the Funds are disbursed to the Fund administrators. All income accrues to the Funds and are recognized in the books maintained by the fund administrators for each fund, as addition in the Fund balance except for Provident Fund (PF) wherein the Board of Trustees shall set aside a portion of the earnings as General Reserve Fund (GRF) for Provident sub-account when the balance falls below an amount equivalent to one-half of one per cent (1/2 of 1%) of the total members' equity as of the end December of each year. The balance of the unappropriated earnings of the PF is declared as the fund members' share in its earnings for the year. The assets of the Fund are reported at either cost or fair market value depending on the asset classification, following the applicable PASs.

### **2.21.1 Provident funds**

The PF was established in accordance with RA No. 4537, An Act Authorizing the Establishment of a Provident Fund in Government-Owned or Controlled Banking Institutions approved on 9 June 1965.

This is a defined contribution plan wherein the Bank's monthly contribution is equivalent to twenty per cent (20%) of the basic salary of each employee while the employee contributes 2.5 per cent. As approved by the MB on 19 December 2008, the Bank's monthly contribution was increased from twenty per cent (20%) to 22.5 per cent while

the employees are given the option to increase their personal contribution from 2.5 per cent to five per cent (5%) which took effect in February 2009.

Another defined contribution plan is the Housing Fund (HF) established in CY 1978, wherein the contribution is similar to the PF.

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

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

### **2.21.2 Longevity trust fund**

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

### **2.21.3 Car plan fund**

The BSP implemented the car plan program in CY 1993 in line with the approval of the motor vehicle lease purchase plan (MVLPP) for government financial institutions by the Office of the President (OP) on 20 July 1992. Effective 21 December 2017, the Bank Officer IV and equivalent positions (JG 6) and up are entitled to avail under the BSP's MVLPP (or "Car Plan") pursuant to MBR No. 2062 dated 7 December 2017. The Fund is administered by the BSP PF Board of Trustees through the PFO and is operated independently of the existing PF loan facilities. Budgeted amounts earmarked for car plan fund are recognized as advances booked under "Due from Administrator of Funds" account.

### **2.21.4 Retirement benefit fund**

This Fund was set up in CY 1997 for employees who are eligible to retire under RA No. 1616. Based on a study made by the Human Resource Management Department (HRMD) in CY 2005, the outstanding balance of the fund plus projected earnings up to CY 2023 would be sufficient to cover the benefits of the employees who are qualified to retire under the plan. Actual charges include (a) retirement gratuity pay and (b) financial assistance to beneficiaries of departed members. The balance of the Fund is reported in the balance sheet under "Capital Reserves" account and as a receivable from the PFO, as administrator, under the "Due from Administrator of Funds" account. The Fund resources are invested in government securities and all income accrues to the Fund, net of fifteen per cent (15%) management fee to PFO.

### **2.21.5 Medical Coverage Assistance (MCA)**

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

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

### **2.22 Capital reserves**

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

#### **Managed funds**

##### **2.22.1 Fidelity insurance fund**

This Fund was set up in CY 1997 as self-insurance for the fidelity bond of bank officers and staff with cash and gold accountabilities in excess of PHP100 million. Accountabilities up to PHP100 million are covered by fidelity bonds issued by the Bureau of the Treasury (BTr). Annual charges against surplus are computed at one per cent of seventy-five per cent (1% of 75%) of the maximum amount of accountabilities (net of PHP100 million) of each group/individual covered by the Fund.

The Fund is an internally managed fund with the BSP Comptrollership Sub-Sector (CoSS) as administrator. It is accounted separately from the bank general fund through the "Due from Administrator of Funds" account and all income accrues to the Fund. There was no additional provision since CY 2006 as it was determined that the fund balance is sufficient to cover the highest single amount of accountability covered by the Fund. No claims have been charged thereon since the establishment of the Fund.

In the ensuing year, the adequacy of the fund balance shall be reviewed considering the maximum cash accountability of PHP1.000 billion covered of fidelity bonds issued by the BTr pursuant to Treasury Circular No. 02-2019 dated 25 April 2019.

##### **2.22.2 Currency insurance fund**

The currency insurance fund adopted in CY 1955 and rationalized in CY 1996 was established as a self-insurance scheme to cover for any loss that may arise from its currency shipments. At the start of the year, annual transfers to the reserve account are made from the surplus account and are computed based on one-tenth of one per cent (1/10 of 1%) of the highest recorded value of currency shipment for the previous year. The Fund is an internally managed fund that is accounted separately from the bank general fund through the "Due from Administrator of Funds" account. Investments of the Fund are in government securities and all income accrues to the Fund.

In CY 2020, the fund balance was increased to PHP6.000 billion pursuant to MBR No. 649 dated 27 May 2021 in order to meet the estimated maximum risk exposure at any given time.

### **2.22.3 BSP properties self-insurance fund**

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

### **2.22.4 Retirement benefit fund**

This Fund was set up in CY 1997 for employees who are eligible to retire under RA No. 1616. See Note 2.21.4.

### **2.22.5 Directors’ and officers’ liability insurance fund**

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

### **Other funds**

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

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

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



### **2.22.7 Reserve for contingencies**

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

### **2.22.8 Property insurance (artworks, paintings and sculptures)**

A self-insurance fund set up in CY 2003 to cover for the amount of potential loss in excess of what is presently covered by the insurance policy with the GSIS. Properties insured are artworks, paintings and sculptures which are valued at acquisition cost. Amounts earmarked are not invested. No additions were made to the fund since CY 2004.

### **2.22.9 Reserve for the rehabilitation of the SPC**

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

### **2.22.10 BSP Complex at New Clark City (NCC) Project**

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

### **2.22.11 Cultural properties acquisition**

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

### **2.22.12 Gold insurance**

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

## **2.23 Commitments and contingent liabilities**

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

	<b>2021</b>	<b>2020</b>
FX commitment receivable/payable	499,219,102,344	425,128,942,292
Currency unissued	41,526,695,000	154,613,370,000
LCs held/received in process	4,167,402,087	12,852,575,888
Equity investment receivable/payable	861,173,900	861,173,900

Below is the FX commitment receivable/payable as of 31 December 2021:

	Note	USD	PHP
FX commitment receivable/payable (no maturity)			
Chiang Mai initiative multi-lateralization agreement (CMIM)	2.23.5.a	9,104,000,000	399,920,512,000
New arrangements to borrow (NAB)	2.23.4.b	1,001,773,615	46,010,219,914
Bilateral Swap Arrangement	2.23.5.b	500,000,000	24,214,000,000
Note purchase agreement (NPA)	2.23.4.c	431,000,000	20,846,608,000
Foreign Currency Swap	2.23.1	100,080,198	5,044,142,065
Futures	2.23.3	60,078,049	3,031,538,365
Catastrophe Containment and Relief Trust (CCRT)	2.23.4.d	3,000,000	152,082,000
<b>Total</b>		<b>11,199,931,862</b>	<b>499,219,102,344</b>

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

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

### **2.23.2 FX commitment receivable/payable represents foreign currency forward**

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

### **2.23.3 FX commitment receivable/payable of futures**

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

### **2.23.4 FX commitment receivable/payable under various IMF facilities (FTP, NAB, NPA and CCRT)**

#### **a. Financial Transactions Plan (FTP) of the IMF**

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

The Philippines has participated in the FTP since August 2010. As of 31 December 2021, total IMF drawdowns amounted to SDR540.000 million (USD784.892 million).

#### **b. New Arrangements to Borrow (NAB)**

The NAB facility of the IMF is a credit arrangement between the Fund, and a group of forty (40) members and institutions to provide supplementary resources to the IMF, to cope with an impairment of the international monetary system or to deal with an exceptional situation that poses a threat to the stability of that system. As participant in the IMF's NAB, the BSP undertakes to provide a credit line of up to SDR680.000 million.

As of end December 2021 out of total commitment of SDR680.000 million (USD1,018.247 million), total loans granted amounted to SDR89.920 million (USD133.156 million). Repayments received from the IMF reached SDR81.887 million (USD116.683 million), leaving an outstanding loan balance of SDR8.033 million (USD16.473 million). The amount of SDR671.967 million (USD1,001.774 million) is available for drawdown under the BSP's commitment.

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

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

#### **d. Catastrophe Containment and Relief Trust (CCRT)**

The MB in its MBR No. 657 dated 21 May 2020 and in line with the endorsement of the Department of Finance (DOF) and the Special Authority granted by the President of the Republic of the Philippines, approved for the BSP, for and on behalf of the NG, to contribute to the CCRT of the IMF to help the poorest and most vulnerable countries affected by natural and health disasters. The BSP contributed USD4.000 million to the Fund's Catastrophe Containment and Relief Trust to be disbursed in four (4) equal annual installments beginning in 2021.

### **2.23.5 Currency swap arrangements with central banks**

#### **a. Chiang Mai initiative multilateralization (CMIM) arrangement**

The Philippines is a member of the CMIM. It is a USD240.000 billion multilateral arrangement among the finance ministries and central banks of the ASEAN (Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) plus three (3) member countries (China, Japan and Korea) and the Hong Kong Monetary Authority, aimed at providing financial support in the event of balance of payment difficulty.

The contribution to the CMIM does not involve outright transfer of the committed amount but is instead in the form of a commitment letter, whereby the central banks/monetary authority of ASEAN + 3 countries as well as the Hong Kong Monetary Authority issue a PN in the amount equivalent to their committed contribution. Under this arrangement, the management and custody of committed reserves remain with the central banks until a swap request has been approved. The Philippines, through the BSP has an outstanding contribution commitment of USD9.104 billion to the CMIM. The BSP may be able to borrow up to 2.5 times its contribution, i.e., USD22.760 billion from the CMIM. As of end 2021, no transactions were made.

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

The BSA with BOJ, acting as the agent for the Minister of Finance of Japan, would allow the BSP to swap up to USD12.000 billion in the event of a potential or an actual liquidity need. The BSP has a commitment to provide up to USD500.000 million to the BOJ in the event of a potential or an actual liquidity need.

**c. ASEAN Swap Arrangement (ASA)**

The ASA is a USD2.000 billion facility of the ten (10) ASEAN member central banks that allows them to swap their local currencies with major international currencies, i.e., USD, Japanese Yen (JPY) and Euro, for an amount up to twice their committed amount under the facility. The Philippines committed to contribute up to USD300.000 million and could request swap of up to USD600.000 million worth of PHP. The ASA was terminated on 17 November 2021.

**2.23.6 Equity investment receivable/payable**

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

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

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

**2.24 Trust accounts**

The BSP administers (a) funds provided by the NG, Government of Japan and other foreign financial lending institutions for relending to participating financial institutions; and (b) funds held in escrow that are being invested in government securities to liquidate outstanding obligations of the beneficiary bank with the BSP until such time when the escrow accounts’ accumulated balances are equal to at least the outstanding balance of the loan account. Conduits for the funds provided by the NG and other foreign financial lending institutions are qualified rural banks and the final beneficiaries are accredited

individual borrowers and/or associations for supervised agricultural credits. The funds held in escrow are mostly for the account of closed banks that the BSP manages.

### **2.25 Prior period adjustments**

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

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

### **2.26 Comparatives**

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

### **2.27 Dividend distribution**

In accordance with Section 132 (b) RA No. 7653, as amended by RA No. 11211, the BSP remits seventy-five per cent (75%) of its net profits to the National Treasury as dividends, until such time as the net liabilities of the old central bank have been liquidated through generally accepted finance mechanisms with the remaining twenty-five per cent (25%) as residual to BSP surplus. Beginning CY 2016, the MB approved the declaration and remittance to NG of fifty per cent (50%) of the earnings of the BSP as dividends, computed pursuant to RA No. 7656 (The Dividend Law) and its Revised Implementing Rules and Regulations (IRR) without prejudice to the final resolution of the case on BSP dividend declaration pending with the Supreme Court (SC).

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

### **2.28 Taxes**

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

As to the BSP's liability for business taxes, RMC No. 65-2008 provides that the BSP is exempt from value-added tax (VAT) for its revenues and receipts derived from

the exercise of essential governmental functions but subject to VAT in the exercise of purely proprietary functions. This was further clarified in RMC No. 14-2020.

Except for VAT, the BSP also continues to be exempted from all customs duties and consular fees and all other taxes, assessments and charges in relation to the importation and exportation of notes and coins, gold and other metals, and all equipment needed for bank note production, minting of coins, metal refining and other security printing operations authorized under Section 126 of RA No. 7653, as amended by RA No. 11211. This exemption also includes importation of supplies, raw materials and spare parts of equipment needed for bank note production, minting of coins, and metal refining. Insofar as VAT exemption is concerned, Section 126 of RA No. 7653, as amended by RA No. 11211 was repealed by RA No. 10963, otherwise known as the Tax Reform for Acceleration and Inclusion (TRAIN) Law.

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

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

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

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

Pursuant to the NIRC, as recently amended by RA No. 11354 or the "Corporate Recovery and Tax Incentives for Enterprises" (CREATE) Act, the Bank's income tax obligation is based on (a) Regular Corporate Income Tax (RCIT) computed at twenty-five per cent (25%) of net taxable income; or (b) MCIT computed at one per cent (1%) based on gross income, whichever is higher. In accordance with RMC No. 50-2021, the rates of RCIT and MCIT applicable to the BSP for the transition year 2020 are twenty-seven and a half per cent (27.50%) and one and a half per cent (1.50%), respectively. For purposes of applying the MCIT, gross income means gross receipts less sales returns, allowances, discounts and cost of services as provided under RR No. 9-98, as amended, in relation to Section 27(E)(4) of the NIRC, as amended. Income tax obligation computed under RCIT

is booked as an expense. As provided for under RR 9-98, as amended, the amount computed and paid under MCIT in excess of the normal income tax/RCIT is recognized as deferred charges. This asset account shall be carried forward and credited against the normal income tax for a period not exceeding three (3) taxable years immediately succeeding the taxable year/s in which the same has been paid, as provided under Section 27(E)(2) of the NIRC, as amended.

The business tax/VAT on purchases are capitalized which form part of the cost of inputs. The monthly VAT declaration and returns are filed with the BIR and the corresponding VAT outputs are paid.

In view of the tax exemption of the BSP, its interest income on government securities collected on every coupon date are no longer subject to the twenty per cent (20%) FWT. However, the twenty per cent (20%) FWT attributable to the discount on government securities purchased from the secondary market are still charged as part of the purchase price paid by the BSP. These taxes paid in the secondary market are not remitted to BIR but imposed to recoup the taxes paid on the original sale in the primary market by the original buyer (from BTr). This market convention is in accordance with the provisions of DOF Order No. 141-95 and BIR Revenue Ruling dated 9 November 1995, Ref. No.177-95, which state that, *“xxx twenty per cent (20%) final withholding tax (FWT) on discounts xxx shall be imposed only on every original sale in the primary market but shall no longer be collected in the secondary market trading of the said securities.”*

In accordance with Sections 57 and 58 of the NIRC, as amended, and RR 2-98, as amended, the BSP acts as withholding agent on income payments made to its suppliers and other counterparties. For its gold buying operations, the sale of gold by registered small-scale miners and accredited traders are exempt from income tax and excise tax pursuant to RA No. 11256, also known as “An Act to Strengthen the Country’s Gross International Reserves”. However, the BSP continues to act as a withholding agent for creditable withholding taxes and collecting agent for excise taxes on gold purchased from non-registered/accredited small-scale miners and traders.

### **3. RISK MANAGEMENT**

The BSP has adopted a modified centralized enterprise-wide risk management (ERM) system that institutionalize a structured and systematic approach towards a consistent risk management practice within the Bank. In line with this, the BSP has created a risk management structure composed of an MB level Risk Oversight Committee responsible for ensuring the effectiveness of the ERM framework in the Bank, a centralized Risk and Compliance Office (RCO) that acts as a coordinating body and process oversight on risk management, and decentralized Risk Management Units (RMUs) responsible for promoting and coordinating the implementation of the ERM in the operating units.

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

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

The risk factors considered are as follows:

### 3.1 Market risk

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

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

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

#### 3.1.1 Currency risk

The risk that the value of an investment will fluctuate due to changes in exchange rates. The investment guidelines specify currency limits to manage currency deviations. Adherence to currency limits is monitored daily.

The Bank considers the effects of fluctuations in the prevailing currency exchange rates on its financial position and cash flows. The following table summarizes the Bank's exposure to foreign currency exchange rate risk as at 31 December 2021, grouped into assets and liabilities at carrying amounts:

Currency	Original Currency	USD Equivalent
<b>Assets</b>		
USD	101,085,437,206	101,085,437,206
SDR	2,914,377,798	4,079,045,018
CNY	14,593,739,255	2,289,903,627
AUD	3,131,915,288	2,275,609,297
GBP	1,676,123,964	2,266,311,098
JPY	248,456,050,346	2,159,828,446
EUR	250,097,998	284,611,324
CNH	1,162,287,059	182,718,499
CAD	426,350	337,489
<b>Liabilities</b>		
USD	7,166,333,196	7,166,333,196
SDR	2,821,244,633	3,948,585,776
EUR	265,232,015	301,834,033
JPY	1,936,509,312	16,834,075
CAD	400,715	317,197
GBP	23,107	31,153
CNH	39,511	6,211
CNY	2,575	404

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



fluctuations in FX rates. The adherence to exposure limits to foreign currencies is monitored daily.

### **3.1.2 Interest rate risk**

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

### **3.1.3 Commodity risk**

The risk that the value of an investment will fluctuate due to changes in commodity prices. Currently, the only commodity held by the BSP as part of its reserves is gold. Exposure to commodity risk associated with the gold holdings is managed by placing a limit on the level of the gold holdings, and by monitoring gold price volatility.

## **3.2 Credit risk**

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

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

- a. Counterparty Accreditation and Eligibility of Investments - the Bank only deals with accredited counterparties and invests in instruments allowed under the guidelines. Due diligence is observed in evaluating the creditworthiness of its counterparties by monitoring the key financial ratios and other market monitoring tools.
- b. Minimum Credit Rating (MCR) Requirements - the Bank requires that counterparties and investments meet the respective minimum credit rating requirements, as approved by the MB. Compliance to MCR is monitored daily.
- c. Exposure Limits - exposures and compliance to limits are monitored daily.
- d. ECL - estimates the allowance for credit losses by considering in a discounted bases the exposure at default, the probability of occurrence and the LGD.
- e. ISDA Agreements - over the counter (OTC) derivative transactions shall generally be covered by ISDA Agreements with credit support and two-way margining provisions.

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

Credit risks associated with repurchase agreements of the BSP with local banks are collateralized by government securities from the borrowing bank. To ensure that the BSP is adequately covered from potential loss, it assesses the collateral based on its existing

market value, adjusted for haircuts. The haircuts, which are based on price and exchange rate volatilities, are designed to protect the BSP (under both normal and extreme market conditions) against collateral value shortfall in the event of borrower’s default.

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

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

<b>Type of Loan</b>	<b>Collateral</b>
Rediscounting	PN secured by guarantees of the ROP, PN secured by real estate mortgages, Bills of Exchange with trust receipts, bank assets
Emergency Loans and Overdraft Credit Line Loans	Real estate mortgage on bank assets, mortgage credits, government securities
Loans to PDIC and NG	Government securities

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

### **3.3 Liquidity risk**

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

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

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

### **3.4 Operational, legal and reputational risks**

Aligned with the institutional requirements, policies and procedures that include levels of authority and accountabilities are documented and continually updated, while operations are subject to internal and external audits. Internal control procedures include the observance of the principles of separation of duties, checks and balances, staff rotation and strict adherence to policies and procedures including the code of ethics. These all form part of the established bankwide framework for operational risks with RCO, acting as coordinating body.

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

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

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

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

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

## **4. SIGNIFICANT EVENTS**

The MB approved on –

- a. 7 January 2021 the (i) contract of lease between the BSP and Bases Conversion and Development Authority (BCDA), relative to the lease of 313,171-square meter parcel of land located in NCC, Capas, Tarlac as site for the BSP Complex at NCC; (ii) Multi-Year

Contracting Authority for said contract of lease between BSP and BCDA with a total project cost of PHP2,729,713,402.75; and allocation of a supplemental budget to cover the advance lease payment in the total amount of PHP77,165,334.40, value added tax (VAT)-inclusive.

b. 28 January 2021 the award of contract to Giesecke & Devrient Asia Pacific Limited - Philippine branch, Single Calculated Responsive Bidder, for one lot preventive maintenance services contract of 21 units of Automated Banknote Processing Machine BPS-M7 for various Regional Offices and Branches, including labor, spare parts/components, and training of personnel, as per BSP Terms of Reference, Service Level Agreement, and Terms and Conditions, in the total amount of USD1,918,260.33, value added tax inclusive, with Peso equivalent of PHP92,157,062.77 based on the BSP Reference Rate of USD1.00 = PHP48.042, prevailing on 21 January 2021 opening of bids.

c. 11 February 2021 the recommendation of the Technical Committee of the AMD-PFO Housing Program (HP) endorsing to close the AMD-PFO HP and to allow the existing AMD-PFO HP availments to continue pursuant to the Contracts to Sell and Deeds of Assignment which were validly entered and executed by the parties thereto.

d. 04 March 2021 approval of the filing with the BIR of a request for refund or issuance of tax credit certificate (TCC) on final income taxes withheld from interest/income payments to BSP and discounts on government securities purchased by BSP. On 20 August 2021, the BSP's request for refund or issuance of TCC for the excess final taxes withheld covering the period from 6 March 2019 to 30 June 2020 was approved in the amount of PHP2,116,334,544.67. Accordingly, TCC for the said amount was issued in favor of the BSP on 26 October 2021.

e. 31 March 2021 approval of DOF's request for extension of the maturity of the Provisional Advances (PA) dated 12 January 2021 amounting to PHP540.000 billion by another three months, or up to 12 July 2021, with no further changes to other prevailing terms and conditions of the borrowing agreement, covered by a new PN for another three months. The said PA was fully settled on 07 July 2021, before its maturity date.

f. 15 April 2021 the award of contract to eBizolution Inc. for one lot Multi-Year Subscription for the Cloud Infrastructure and Managed Services, as per BSP Terms of Reference and Service Level Agreement, in the total amount of PHP192,000,000.00, inclusive of all applicable taxes and other charges.

g. 29 April 2021 the provision of full valuation reserves for the outstanding past due loan of the PDIC used as financial assistance to the Philippine National Bank (PNB) amounting to PHP3,747,369,577.14, inclusive of accrued interest receivable.

h. 12 May 2021 the establishment of the BSP Research Fund; the overseeing by the BSP Research Academy (BRAC) of the use and management of the said Fund and implementation of research activities thereunder; and the supplemental budget of PHP21,456,000.00 to be lodged under the 2021 budget of BRAC.

i. 20 May 2021 the project; project implementation timetable; estimated cost of the Architectural and Engineering (A&E) Design Consultancy Services; and the grant of multi-year contracting authority for the A&E Design Consultancy Services for the proposed BSP Complex at NCC, with a total project cost of PHP150,990,400.00.

j. 27 May 2021 the (i) reserve provisioning for the price fluctuations of foreign securities to be computed annually at year-end, to mitigate the risk of incurring losses arising from the volatility of market prices; (ii) setting up of reserves for fluctuations in foreign exchange rates and prices of gold to be computed annually at year-end, instead of the provisioning for reserves on a quarterly basis; (iii) increase in the maximum ceiling of the Reserve for Currency Insurance Fund (RCIF) from PHP3.000 billion to PHP6.000 billion; and the continuous recognition of income earnings from invested funds as additional RCIF even if the Fund has reached its maximum ceiling; and, (iv) recognition of capital reserves for CY 2020 for additional RCIF provision of PHP3,199,429,085.25.

k. 27 May 2021 the Cooperation Agreement between the BSP and BTr, on the necessary enhancements to the National Registry of the Scrippless Securities to comply with the specifications and timelines of the development and implementation of the Philippine Payment System Plus; and the supplemental budget of PHP8,704,850.00 for 2021 to be lodged under the "Special Financial Assistance" account of the BSP Payment Settlements Department (PSD).

l. 27 May 2021 the award of the contract to Trends & Technologies, Inc., for one lot BSP Local Area Network Enhancement Year 2020 Project, consisting of supply, delivery, installation, configuration, testing, and commissioning of Cisco Nexus 9300 Series Switches, Cisco Catalyst 9300 Series Switches, Cisco Router, Cisco Identity Services Engine, Cisco Wireless Access Points, and Network Uninterruptible Power Supply, as per BSP Terms of Reference and Service Level Agreement, in the total amount of PHP94,800,000.00 inclusive of all applicable taxes and other charges.

m. 17 June 2021 the award of contract to Total Information Management Corporation (Single Calculated Responsive Bidder), for one lot supply, delivery, installation, configuration, development, testing, and implementation of the BSP Governance Risk Compliance, as per BSP Terms of Reference, in the total amount of PHP51,035,000.00, inclusive of all applicable taxes and other charges.

n. 01 July 2021 approval of DOF's new request for PA amounting to PHP540.000 billion in July 2021 subject to the same terms and conditions as the borrowing agreements in October 2020 and January 2021, including full settlement of the outstanding tranche granted in January 2021, on or before its maturity on 12 July 2021. The said PA was covered by a PN value dated 16 July 2021 with maturity date of 14 October 2021.

o. 15 July 2021 the award of contract to Sicpa SA, for the supply and delivery of 2,325 kilograms 1000-Piso New Generation Currency Banknote Optically Variable Ink (Green/Blue), as per BSP Technical Specifications, Terms of Reference, and Terms and Conditions, in the total contract amount of EUR4,096,650.00, Delivery at Place, BSP Quezon City, Incoterms 2020 (equivalent to PHP236,652,819.21, based on BSP Foreign Exchange Rate of EUR1.00 = PHP57.7674, prevailing on 30 June 2021 opening of price confirmation.

p. 5 August 2021 the award of contract to Megapower Electro-Mech Construction Corporation, for one lot supply, delivery and installation of generator sets for the BSP Luzon, Visayas and Mindanao Offices, as per BSP Terms of Reference, Technical Specifications, and approved drawings, in the total amount of PHP84,536,834.45, inclusive of all applicable taxes and other charges.

- q. 5 August 2021 the award of the contract to Ebizolution, Inc., for one lot Hyper Converged Infrastructure Subscription and Managed Services, as per BSP Terms of Reference, in the total amount of PHP116,288,991.17, inclusive of all applicable taxes and other charges.
- r. 2 September 2021 the award of contract to Coffel Aire Industries, Inc., for one lot supply of labor, tools, materials, equipment, consumables, technical supervision, and other services necessary for the replacement of VRF air conditioning units at the BSP Zamboanga and Dumaguete Branches, as per BSP Terms of Reference and approved drawings, in the total amount of PHP65,680,000.00, inclusive of all applicable taxes and other charges.
- s. 30 September 2021 approval of DOF's request to extend the maturity of PA dated 16 July 2021 amounting to PHP540.000 billion by another three months, or up to 12 January 2022, with no further changes to other prevailing terms and conditions of the borrowing agreement, covered by a new PN for another three months. While PA was extended up to 12 January 2022, it was fully settled on 10 December 2021, before its maturity date.
- t. 14 October 2021 the award of contract to Koenig and Bauer Banknote Solutions SA, for one lot supply, delivery, installation, commissioning, and testing of Mini Intaglio Printing Machine, including training of personnel, and supply and delivery of consumables and wear and tear spare parts good for fifteen (15) months sufficient to process six million pieces of Land Registration Authority and other BSP security documents, as per BSP Technical Specifications and Terms of Reference, in the total amount of EUR5,074,294.90, Delivered at Place, BSP-SPC, Incoterms 2020 (equivalent to PHP297,446,540.74 based on BSP Reference Rate of EUR1.00 = PHP58.6183 prevailing on 20 September 2021 opening of bids).
- u. 18 November 2021 the award of contract to Note Printing Australia Limited, for one lot supply and delivery of 500,000 bundles of 1,000-Piso Polymer Banknotes, as per BSP Technical Specifications, Terms of Reference and Terms and Conditions, in the total amount of AUD100,634,589.40, Carraige Paid To/Cost and Freight, Manila, Incoterms 2020 (equivalent to PHP3,694,154,888.44 based on BSP Reference Rate of AUD1.00 = PHP36.7086 prevailing on 17 November 2021 opening of bids).
- v. 16 December 2021 the award of contract to Giesecke & Devrient Asia Pacific Limited - Philippine Branch, for one lot preventive maintenance services contract for 21 units Automated Banknote Processing Machines Model BPS M7 of various BSP Regional Offices and Branches, including labor, spare parts/components, and training of BSP personnel, as per BSP Terms of Reference, Service Level Agreement, and Terms and Conditions, in the total amount of USD2,483,775.00, inclusive of all applicable taxes and other charges (equivalent to PHP124,017,369.53 based on BSP Reference Rate of USD1.00 = PHP49.9310, prevailing on 16 November 2021 opening of price confirmation).
- w. 16 December 2021 the authority to BSP- Greater Manila Regional Office to enter into a multi-year contract covering the lease of Coin Deposit Machines, including the outsourcing of Cash-in-Transit Services, for a period of two years and six months, and issuance of the corresponding Multi-Year Contracting Authority covering a total project cost of PHP87,192,000.00.

x. 16 December 2021 approval of DOF's new request for PA amounting to PHP300.000 billion in January 2022 subject to the same terms and conditions as the borrowing agreements in October 2020, January 2021 and July 2021 and submission of the BTr of updated certification of the NG's full-year income for Fiscal Year 2021 upon availability and within 90 days upon receipt of funds from the BSP.

## 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The preparation of the financial statements in accordance with previous accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses, and disclosure of contingent assets and contingent liabilities. Future events may cause the assumptions and estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

## 6. DEPOSITS WITH FOREIGN BANKS

Due from Foreign Banks (DFFB) account represents demand and time deposits of BSP with foreign depository banks.

	Note	2021	2020
DFFB-Demand Deposit	a	147,774,002,183	124,945,306,803
DFFB-Time Deposit	b	265,199,261,766	659,200,531,665
Allowance for impairment loss		(9,297,679)	(5,536,364)
		265,189,964,087	659,194,995,301
		412,963,966,270	784,140,302,104
Accrued interest		27,548,980	179,124,429
<b>Total</b>		<b>412,991,515,250</b>	<b>784,319,426,533</b>

a. **Due from foreign banks - demand deposits (DFFB-DD)** represent BSP's FCD with foreign banks and are considered to be the most liquid among the international assets since they are already in the form of cash and may be withdrawn without restrictions.

b. **Due from foreign banks - time deposits (DFFB-TD)** represent placements of BSP with accredited foreign banks. Foreign exchange holdings of the BSP not otherwise needed for operation in the near term, are invested as time deposits with foreign correspondent banks with terms up to one year at varying interest rates.

## 7. OTHER CASH BALANCES

This represents fit foreign currency notes purchased from Authorized Agent Banks (AABs) held by the GMRO. All foreign currencies are recorded at their peso and/or dollar equivalent based on the BSP RERB.

Month-end revaluation of foreign currencies arising from fluctuations in exchange rates is debited/credited to the Revaluation of Foreign Currency - Unrealized account.

## 8. INVESTMENT SECURITIES

	2021	2020
Marketable securities	2,416,169,315,423	2,448,981,141,183
Allowance for impairment loss	(12,548,938)	(11,337,620)
	2,416,156,766,485	2,448,969,803,563
Other investments	1,409,867,035,856	895,287,650,649
	3,826,023,802,341	3,344,257,454,212
Accrued interest	9,810,665,993	10,250,039,757
<b>Total</b>	<b>3,835,834,468,334</b>	<b>3,354,507,493,969</b>

Marketable securities consist of foreign securities (free) and repurchase agreements. The former primarily includes commercial papers in USD, CNH, CNY, GBP and AUD currencies. Other investments include externally managed funds (PHP1,321.526 billion), BISIP (Bank for International Settlement and Investment Pool – PHP46.880 billion), and Asian bond fund (PHP41.461 billion).

## 9. FOREIGN SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

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

	2021	2020
Foreign securities purchased under agreements to resell	579,232,854,200	493,434,983,400
Allowance for impairment loss	(428,473)	(121,669)
	579,232,425,727	493,434,861,731
Accrued interest	0	0
<b>Total</b>	<b>579,232,425,727</b>	<b>493,434,861,731</b>

## 10. LOAN TO INTERNATIONAL MONETARY FUND

This represents calls on the NAB facility of the International Monetary Fund (IMF). The NAB facility is a credit arrangement between the IMF and a group of forty (40) member countries and institutions to provide supplementary resources to the IMF in coping with an impairment of the international monetary system or dealing with an exceptional situation that poses a threat in the stability of that system. The claims arising from calls under the NAB will be in the form of loans to IMF.

	2021	2020
Beginning balance-January 1	1,004,422,862	1,401,556,656
Deduct:		
Repayment	412,927,602	334,806,971
Revaluation adjustments	18,375,303	62,326,823
	431,302,905	397,133,794



	<b>2021</b>	<b>2020</b>
Total	573,119,957	1,004,422,862
Accrued interest	52,437	190,891
<b>Ending balance-December 31</b>	<b>573,172,394</b>	<b>1,004,613,753</b>

## 11. GOLD

	Note	2021	2020 (as restated)
In bullion vault	a	268,197,768,224	246,727,992,903
With foreign financial institutions	b	207,540,742,496	310,577,290,609
<b>Ending balance-December 31</b>		<b>475,738,510,720</b>	<b>557,305,283,512</b>

### a. Gold in bullion vaults

	2021		2020 (as restated*)	
	FTO	PHP	FTO	PHP
<b>Opening balance-January 1</b>	<b>2,687,125.692</b>	<b>246,727,992,903</b>	<b>2,590,901.525</b>	<b>136,376,437,437</b>
Additions during the year	191,372.042	16,325,443,785	96,224.167	8,404,649,267
	2,878,497.734	263,053,436,688	2,687,125.692	144,781,086,704
Net increase due to price/rate revaluation	0	5,144,331,536	0	101,946,906,199
<b>Ending balance-December 31</b>	<b>2,878,497.734</b>	<b>268,197,768,224</b>	<b>2,687,125.692</b>	<b>246,727,992,903</b>
<i>*Amount segregated for proper presentation of transactions</i>				
	USD/FTO		USD/FTO	
Revaluation Rate		1,827.85		1,912.05
Moving Average Rate		1,107.97		1,062.02

### b. Gold with foreign financial institutions

	2021		2020 (as restated*)	
	FTO	PHP	FTO	PHP
<b>Opening balance-January 1</b>	<b>3,382,458.416</b>	<b>310,572,437,509</b>	<b>3,772,619.176</b>	<b>270,846,004,946</b>
Additions/deductions during the year:				
Purchases	62,071.054	5,082,119,680	0.521	48,570
Sales	(1,217,161.610)	(75,785,325,321)	(390,161.281)	(24,268,534,344)
Net increase/(decrease) due to price/rate revaluation		(32,339,074,406)		63,994,918,337
	(1,155,090.556)	(103,042,280,047)	(390,160.760)	39,726,432,563
	2,227,367.860	207,530,157,462	3,382,458.416	310,572,437,509
Accrued interest		10,585,034		4,853,100
<b>Ending balance-December 31</b>	<b>2,227,367.860</b>	<b>207,540,742,496</b>	<b>3,382,458.416</b>	<b>310,577,290,609</b>
<i>*Amount segregated for proper presentation of transactions</i>				

	USD/FTO	USD/FTO
Revaluation Rate	1,827.85	1,912.05
Moving Average Rate	1,423.21	1,413.18

## 12. INTERNATIONAL MONETARY FUND SPECIAL DRAWING RIGHTS

The SDR is an international reserve asset created by the IMF in 1969 to supplement its member countries' official reserves. SDR value is based on a basket of five key international currencies. It can be exchanged for freely usable currencies.

	2021	2020
Beginning balance-January 1	59,203,595,260	60,044,813,011
Add/(deduct):		
Acquisition / Allocation	139,825,655,683	0
Revaluation	1,733,993,782	(917,101,692)
Income accruing to the fund	74,237,659	272,541,734
Payment of interest and assessment	(51,201,417)	(183,833,294)
Adjustment due to moving average computations/	(2,635,887)	(12,824,499)
	141,580,049,820	(841,217,751)
	200,783,645,080	59,203,595,260
Accrued interest	18,367,606	10,260,361
<b>Ending balance-December 31</b>	<b>200,802,012,686</b>	<b>59,213,855,621</b>

## 13. LOANS AND ADVANCES

	Note	Per cent to Total	2021	2020 (as restated)
<b>Local currency loans and advances</b>				
Philippine Deposit Insurance Corp.	a	33.36	35,977,901,954	35,977,901,954
Allowance for impairment loss	f		(2,972,283,329)	0
			33,005,618,625	35,977,901,954
<b>National Government</b>				
Assumed Obligations of:				
Philippine National Bank	b.1		0	350,000,000
Development Bank of the Philippines	b.1		0	442,499,511
IMF quota subscription	b.2		68,352,097,440	68,352,097,440
		63.38	68,352,097,440	69,144,596,951
<b>Emergency</b>				
	c			
Commercial bank			1,578,259,754	1,578,259,753
Thrift banks			48,089,486	63,220,562
Rural/Cooperative banks			137,161,293	197,540,943
Non-bank financial institution			3	3
		1.64	1,763,510,536	1,839,021,261
Allowance for impairment loss			(1,745,866,659)	(1,824,239,677)
			17,643,877	14,781,584
<b>Rediscounting</b>				
	d			
Universal/Commercial banks			0	5,747,160,000
Thrift banks			22	26
Specialized bank			90	90
Rural/Cooperative banks			23,394,422	41,312,621
		0.02	23,394,534	5,788,472,737
Allowance for impairment loss			(15,978,430)	(25,949,187)
			7,416,104	5,762,523,550

	Note	Per cent to Total	2021	2020 (as restated)
<b>Overdrafts/overnight clearing line</b>	e	1.57	1,693,418,943	1,761,460,727
Allowance for impairment loss			(1,686,472,655)	(1,758,735,317)
			6,946,288	2,725,410
<b>Special program</b>				
Thrift banks			3,428,063	3,428,063
Specialized bank			11,420,339	12,700,812
Rural/Cooperative banks			20,258,757	29,749,986
Allowance for impairment loss	f	0.03	35,107,159	45,878,861
			(34,965,609)	(45,737,310)
			141,550	141,551
Total		100.00	107,845,430,566	114,557,332,491
Allowance for impairment loss	f		(6,455,566,682)	(3,654,661,491)
Net			101,389,863,884	110,902,671,000
Accrued interest			21,115,980,512	19,994,978,000
Allowance for impairment loss - accrued interest			(782,919,382)	(9,164,336)
Net			20,333,061,130	19,985,813,664
<b>Total</b>			<b>121,722,925,014</b>	<b>130,888,484,664</b>
<b>Total local currency - loans and advances</b>			<b>107,845,430,566</b>	<b>114,557,332,491</b>
Allowance for impairment loss	f		(6,455,566,682)	(3,654,661,491)
Net			101,389,863,884	110,902,671,000
<b>Amount past due (Annex B)</b>			<b>6,487,043,591</b>	<b>7,447,456,108</b>
<b>Per cent of past due to total local currency - loans and advances</b>			<b>6.02</b>	<b>6.50</b>

The Loans and Advances balance as of 31 December 2020 are restated as shown below:

	Rediscounting Rural/Cooperative Banks	Emergency Loan Rural/Cooperative Banks
<b>Loans and Advances</b>		
31 December 2020, before adjustments	41,302,348	197,381,781
Add:		
Reapplication/adjustment of payment	10,273	159,162
<b>31 December 2020, as restated</b>	<b>41,312,621</b>	<b>197,540,943</b>
<b>Accrued interest - L&amp;A</b>		
31 December 2020, before adjustment		19,994,929,527
Add:		
Reapplication/adjustment of payment		48,473
<b>31 December 2020, as restated</b>		<b>19,994,978,000</b>

a. **Loans to PDIC** intended as Financial Assistance (FA) to banks amounting to PHP35.978 billion constituted 33.36 per cent of the total loan portfolio.

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

However, the PDIC filed an appeal dated 09 December 2019 before the Office of the President (OP), praying that the 23 October 2019 Resolution of the DOJ be set aside and the source for the repayment of PDIC's loan obligation to BSP be held exclusively limited to those provided for under Section 1.05 of the LA. Accordingly, the BSP filed its Comment on said PDIC's appeal on 17 January 2020, praying for

the issuance by the OP of an Order (i) declaring that Section 1.05 of the LA dated 21 November 2002 is not an exclusive list; (ii) dismissing the appeal of PDIC; and (iii) upholding the 23 October 2019 Resolution of the DOJ. As of 31 December 2021, the OP has yet to resolve PDIC's appeal.

**b.1 Loans and advances to NG on assumed obligations** pertain to loans and advances of the then CBP to the PNB and Development Bank of the Philippines representing purchases of shares of stock as equity investments. These obligations were transferred to, and assumed by, the NG under Administrative Order No. 14 dated 03 February 1987 pursuant to Proclamation No. 50 dated 08 December 1986, to facilitate the rehabilitation of certain government financial institutions as part of the government's economic recovery program. These were fully settled on 03 May 2021.

**b.2 IMF quota subscription** represents non-interest bearing loan extended to the ROP to cover quota increase of SDR1.024 billion per IMF Resolution No. 66-2 (from SDR1.019 billion to SDR2.043 billion) as a result of the Fourteenth General Review of Quotas at the IMF, evidenced by PN value dated 18 February 2016 amounting to PHP68.352 billion, with a maturity date of 17 February 2021, renewed for another period of five (5) years or until 17 February 2026.

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

**d. Rediscounting Facility** is a standing credit facility provided by BSP to help banks meet temporary liquidity needs by refinancing the loans they extend to their clients. Rediscounting loans of PHP23.395 million, which account for 0.02 per cent of the local currency loan portfolio, decreased by PHP5.765 billion or 99.60% per cent from last year-end balance of PHP5.788 billion due to collections and write-off of accounts from closed banks. The outstanding loans from the 2020 availments were settled at maturity in 2021.

**e. OCL Facility** is a short-term credit facility available to banks participating directly in the clearing operations of the Philippine Clearing House Corporation to cover shortfalls in the bank's DDA with the BSP. It is intended to tide over a bank experiencing an unexpected or higher-than-usual volume of inward transactions. It complements the Intraday Liquidity Facility which is fully collateralized facility established to maintain the smooth and efficient operation of the payments system in order to avoid interbank payments gridlock in the payments and settlement process. On 22 July 2021, a bank availed an OCL amounting to PHP25.000 million to cover its net clearing losses incurred on 21 July 2021. It was settled at end of day on 22 July 2021.

**f. Allowance for Impairment Loss (AIL)** – of the total outstanding loans and advances which amounted to PHP107.845 billion, exclusive of accrued interest receivable, 5.99 per cent or PHP6.456 billion is provided with AIL. The increase in the balance from PHP3.655 billion to PHP6.456 billion was attributable to the set-up of AIL on loans to PDIC amounting to PHP2.972 billion. However, this was reduced by the write-off of residual

claims from closed banks, collections on outstanding loans, and adjustments during the year aggregating to PHP0.171 billion.

#### 14. OTHER RECEIVABLES

	Note	2021	2020 (as restated)
<b>Foreign currency receivables</b>			
Non-IR foreign exchange assets	a	335,769,991,456	184,036,838,540
Accrued interest - Non-IR		1,563,559,354	1,565,420,450
Due from foreign banks/branches	b	27,072,084	25,507,866
Accrued income receivable		1,453,134	2,391,790
<b>Total</b>		<b>337,362,076,028</b>	<b>185,630,158,646</b>
<b>Local currency receivables</b>			
Accounts receivable -TOP	c	16,443,240,209	15,294,117,436
Sales contracts receivable	d	3,268,294,679	3,858,089,011
Accrued interest - sales contracts receivable		30,277,022	22,722,526
Accounts receivable		4,113,961,323	3,412,938,433
Allowance for impairment – AR		(2,015,542,534)	(2,019,795,248)
		2,098,418,789	1,393,143,185
Notes receivable	e	1,366,730,850	1,366,730,850
Allowance for impairment – NR		(752,642,132)	(767,846,193)
		614,088,718	598,884,657
Receivables from staff/others		506,085,457	491,408,849
Due from local banks		519,377,513	480,395,455
Items under litigation	f	18,758,420	18,758,420
Allowance for impairment – items under litigation		(4,258,420)	(4,258,420)
		14,500,000	14,500,000
Lease receivable	g	77,981,733	78,074,526
Allowance for impairment – Lease Receivable		(77,933,113)	(77,910,045)
		48,620	164,481
<b>Total</b>		<b>23,494,331,007</b>	<b>22,153,425,600</b>

	Balance, 31 December 2020, before adjustments	Adjustments	Balance, 31 December 2020, as restated
<b>Local currency receivable</b>			
<b>Sales contracts receivable</b>	<b>3,854,189,260</b>	<b>3,899,751</b>	<b>3,858,089,011</b>
- Prior year's sale of acquired assets		3,899,751	
<b>Accrued interest - sales contracts receivable</b>	<b>46,186,213</b>	<b>(23,463,687)</b>	<b>22,722,526</b>
- Recomputation and adjustment of interest on sales contract receivable		(23,463,687)	
<b>Accounts receivable</b>	<b>3,393,589,019</b>	<b>19,349,414</b>	<b>3,412,938,433</b>
- Overpayment of personnel services and others		9,560,913	
- Unrecorded fees, commission and penalties		5,235,755	
- Disallowances on medical/hospitalization claims and refund of scholarship expenses		4,082,544	
- Shares of lessee/borrowers/ buyers on electricity, foreclosure expenses, real estate tax and other expenses advanced by BSP		244,586	

	Balance, 31 December 2020, before adjustments	Adjustments	Balance, 31 December 2020, as restated
- Adjustments on vault/space rental charges, lost properties, penalties, supervisory fees, legal fees and other earnings		225,616	
<b>Allowance for impairment - AR</b>	<b>(2,022,445,592)</b>	<b>2,650,344</b>	<b>(2,019,795,248)</b>
- Adjustment of previously set up allowance for impairment due to adjustment in related receivable		2,650,344	
<b>Receivables from staff/others</b>	<b>510,051,179</b>	<b>(18,642,330)</b>	<b>491,408,849</b>
- Liquidation of prior year's cash advances of BSP & Non-BSP personnel		(18,642,330)	
<b>Lease receivable</b>	<b>77,910,045</b>	<b>164,481</b>	<b>78,074,526</b>
- Application/adjustment of rental payments		164,481	

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

The increase was primarily due to net revaluation loss of PHP7.406 billion and net investment activity of PHP164.602 billion.

**b. Due from foreign banks/branches - special account** is used to record all peso/dollar purchase/sale transactions through the Philippine Dealing System (PDS). It is a temporary non-international reserve account from which funds are transferred to/from the Federal Reserve.

**c. Accounts receivable – TOP** is a receivable account used to record the NG's share in the annual revaluation of the IMF holdings of PHP maintained with the BSP based on change in PHP/SDR exchange rate. The balance increased by PHP1.149 billion due to revaluation of the IMF holdings during the year.

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

	Total 2021	Current	Non-Current
<b>I. Auction/negotiated sales</b>			
a. BSP personnel	6,498,268	2,038,276	4,459,992
b. Non-BSP personnel/others	2,945,877,781	716,343,121	2,229,534,660
c. Restructured principal - Non-BSP	8,185,562	2,121,506	6,064,056
d. Restructured interest - Non-BSP	1,276,156	358,313	917,843
	2,961,837,767	720,861,216	2,240,976,551
<b>II. Sales under AMD - PFO housing program</b>			
a. BSP personnel	232,568,390	16,437,049	216,131,341
b. Non-BSP personnel/others	73,888,522	4,488,079	69,400,443
	306,456,912	20,925,128	285,531,784
<b>Total</b>	<b>3,268,294,679</b>	<b>741,786,344</b>	<b>2,526,508,335</b>

**e. Notes receivable** is a BSP claim against the former Producers Bank of the Philippines which then became First Philippine International Bank (FirstBank) in 1993 (now First Producers Holdings Corporation [FPHC]). FirstBank merged with PDCP Development Bank, Inc. (PDCP) in 1996, with PDCP as the surviving institution. PDCP Development Bank, Inc. was then renamed to First e-Bank Corporation (A Development Bank). The Notes Receivable has a 30-year repayment program without grace period and is guaranteed by a 28.5 year scripless Treasury Bonds (TBs) with PHP375.000 million cash flow back plus PHP15.000 million cash payment for three (3)-year amortization for 1996, 1997 and 1998 or a total of PHP390.000 million to be placed in a Special Escrow Fund (SEF), which shall be administered by DLC until the fund reaches PHP1.367 billion then it shall be applied against the BSP claim per MBR No. 1131 dated 27 September 1995, as amended by MBR No. 590 dated 13 June 1996.

In 2020, the notes receivable was considered credit-impaired since it was ascertained that there will be little to almost no future cashflows to be generated by the assets other than the balance of the escrow fund and the 30-year FXTBs. The carrying amount of the notes receivable is equivalent to the net recoverable value of the SEF and the 30-year FXTB maintained with the BSP. Based on the Memorandum of Agreement dated 14 January 1997 between BSP and PDCP, with conformity of FPHC, any shortfall at the end of the 30<sup>th</sup> year, due to fluctuations in interest rates, PDCP shall shoulder and pay BSP the amount of the shortfall.

**f. Items under litigation**

	Note	2021	2020
CSS-Financial Accounting Department	a	14,500,000	14,500,000
BSRU-Tacloban	b	2,499,920	2,499,920
BSRU-Legazpi	c	1,758,500	1,758,500
Total		18,758,420	18,758,420
Allowance for doubtful account		(4,258,420)	(4,258,420)
<b>Net</b>		<b>14,500,000</b>	<b>14,500,000</b>

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

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

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

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

## 15. INVESTMENTS SECURITIES – DOMESTIC

	Note	2021		2020	
		Face Value	Market Value	Face Value	Market Value
<b>BSP-Head Office</b>	a				
Treasury bills		179,213,100,000	178,470,914,711	190,563,023,000	190,004,016,467
Semi-annual FLT treasury bond		50,000,000,000	50,000,000,000	50,000,000,000	50,000,000,000
Fixed rate treasury bonds		1,161,160,666,408	1,226,359,063,352	970,884,080,904	1,127,491,419,136
		1,390,373,766,408	1,454,829,978,063	1,211,447,103,904	1,367,495,435,603
Accrued interest			15,731,861,941		13,429,635,978
<b>Total</b>			<b>1,470,561,840,004</b>		<b>1,380,925,071,581</b>

a. Movement in investment securities is summarized as follows:

	2021	2020
<b>Beginning balance, January 1</b>	<b>1,367,495,435,603</b>	<b>226,015,652,315</b>
Add/(Deduct):		
Purchases	651,991,390,648	1,593,135,255,457
Accrual/reversal of discount	19,181,416	(2,328,256,677)
Redemption	(462,630,981,590)	(459,798,416,223)
Marking to market	(86,650,850,166)	13,891,907,170
Net premium amortization	(15,250,074,528)	(3,169,470,494)
Sales	(144,123,320)	(251,235,945)
	87,334,542,460	1,141,479,783,288
<b>Ending balance, December 31</b>	<b>1,454,829,978,063</b>	<b>1,367,495,435,603</b>

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

	90-180 days	181-365 days	More than 1 year	Total
Treasury bills	153,672,664,711	24,798,250,000	0	178,470,914,711
Fixed rate treasury bonds	14,642,065,098	29,401,347,655	1,182,315,650,599	1,226,359,063,352
Semi-annual FLT Treasury bond	0	0	50,000,000,000	50,000,000,000
<b>Total</b>	<b>168,314,729,809</b>	<b>54,199,597,655</b>	<b>1,232,315,650,599</b>	<b>1,454,829,978,063</b>

## 16. DUE FROM ADMINISTRATOR OF FUNDS

	Note	2021	2020 (as restated)
<b>Financial Accounting Department</b>			
Fidelity insurance		22,247,379,248	22,247,379,248
Currency insurance	a	6,000,243,191	6,000,000,000
Gold insurance		9,333,617	9,333,617
Industrial fund		2,515,220	2,515,220
Post-retirement benefit		962,370	1,787,370
		28,260,433,646	28,261,015,455
<b>Provident Fund Office</b>			
BSP Properties self-insurance fund	a	2,949,749,059	2,884,432,640
Post-retirement benefit	a	1,901,338,306	1,827,322,832
Directors' and officers' liability insurance fund	a	1,845,084,908	1,777,954,077
Car plan fund		1,246,825,228	1,246,825,228
Provident fund		316,065,937	180,001,906
		8,259,063,438	7,916,536,683
<b>Total</b>		<b>36,519,497,084</b>	<b>36,177,552,138</b>



Note	2021	2020 (as restated)
		2,883,450,266
Due from administrator of funds, 31 December 2020, before adjustment		
Add:		
Receipt of earnings from Property self-insurance fund		982,374
<b>Due from administrator of funds, 31 December 2020, as restated</b>		<b>2,884,432,640</b>

a. The increase in CY 2021 represents income from managed fund in the amount of PHP223.789 million.

## 17. ACQUIRED ASSETS HELD FOR SALE

	2021	2020 (as restated)
Acquired assets held for sale	1,528,572,484	1,632,215,689
Allowance for market decline	(106,284,432)	(69,396,846)
<b>Net</b>	<b>1,422,288,052</b>	<b>1,562,818,843</b>

	TCTs	Book Value
Acquired assets held for sale, 31 December 2020, before adjustments	3,052	1,637,334,926
Effect of restatement of prior period adjustments:		
Add/(deduct)		
Capitalization of foreclosure expenses	0	577,604
Prior year's sale of acquired assets	(26)	(5,696,841)
<b>Acquired assets held for sale, 31 December 2020, as restated</b>	<b>3,026</b>	<b>1,632,215,689</b>

Allowance for market decline, 31 December 2020, before adjustments	235,885,846
Effect of restatement of prior period adjustments:	
Deduct:	
Adjustment of allowance for market decline previously set-up	166,489,000
<b>Allowance for market decline, 31 December 2020, as restated</b>	<b>69,396,846</b>

Movement of acquired assets held for sale for the year 2021:

	TCTs	Book Value
Balance, 01 January 2021	3,026	1,632,215,689
Additions:		
Transfer from investment property	7,223	1,483,091,923
Net reclassification/adjustments	44	13,852,216
	7,267	1,496,944,139
Deductions:		
Sale/negotiation	4,977	488,402,789
Revert to investment property	611	1,112,184,555
	5,588	1,600,587,344
<b>Balance, 31 December 2021</b>	<b>4,705</b>	<b>1,528,572,484</b>

## 18. INVESTMENT PROPERTY

	2021	2020 (as restated)
Investment property	10,381,441,145	10,740,917,728
Allowance for market decline	(248,545,133)	(367,064,521)
<b>Net</b>	<b>10,132,896,012</b>	<b>10,373,853,207</b>

	TCTs	Book Value
Investment property, 31 December 2020, before adjustments	18,520	10,726,439,865
Add:		
Effect of restatement of prior period adjustments:		
Capitalization of foreclosure expenses		14,477,863
<b>Investment property, 31 December 2020, as restated</b>	<b>18,520</b>	<b>10,740,917,728</b>
Allowance for market decline, 31 December 2020, before adjustments		366,096,795
Effect of restatement of prior period adjustments:		
Add:		
Adjustment of allowance for market decline previously set-up		967,726
<b>Allowance for market decline, 31 December 2020, as restated</b>		<b>367,064,521</b>

Movement of investment property for the year 2021:

	TCTs	Book Value
Balance, 01 January 2021	18,520	10,740,917,728
Additions:		
Reverted from acquired assets	611	1,112,184,555
Foreclosure	30	12,475,900
Net reclassification/adjustments	4	3,597,586
Dacion en pago	6	1,774,635
	651	1,130,032,676
Deductions:		
Transferred to acquired assets	7,223	1,483,091,923
Sale/negotiation	2	6,417,336
	7,225	1,489,509,259
<b>Balance, 31 December 2021</b>	<b>11,946</b>	<b>10,381,441,145</b>

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

	Land and building	Property improvement	Computer hardware	Plant and equipment	In-transit items	In progress/ under construction items	Total
<b>Cost</b>							
01 January 2021, as restated	15,014,525,961	6,859,532,014	1,626,691,696	15,609,563,796	627,986,284	1,794,181,292	41,532,481,043
Additions	2,744,896	380,026,891	143,726,558	955,072,487	94,409,449	168,764,659	1,744,744,940
Disposals	0	0	(11,016,628)	(73,860,307)	0	0	(84,876,935)
Reclassification	0	14,881,101	(11,124,170)	(21,495,398)	(387,742,319)	(25,990,538)	(431,471,324)
Adjustments	0	0	609,779	(58,050)	0	0	551,729
<b>31 December 2021</b>	<b>15,017,270,857</b>	<b>7,254,440,006</b>	<b>1,748,887,235</b>	<b>16,469,222,528</b>	<b>334,653,414</b>	<b>1,936,955,413</b>	<b>42,761,429,453</b>

	Land and building	Property improvement	Computer hardware	Plant and equipment	In-transit items	In progress/ under construction items	Total
<b>Accumulated Depreciation</b>							
01 January 2021, as restated	(4,122,133,072)	(4,745,043,213)	(1,152,149,451)	(8,391,567,342)	0	0	(18,410,893,078)
Depreciation	(244,082,191)	(282,289,649)	(127,909,854)	(1,305,479,793)	0	0	(1,959,761,487)
Disposals	0	0	9,489,775	58,474,232	0	0	67,964,007
Reclassification	0	(493,134)	8,708,223	23,501,366	0	0	31,716,455
Adjustments	0	125,132	19,617		0	0	144,749
<b>31 December 2021</b>	<b>(4,366,215,263)</b>	<b>(5,027,700,864)</b>	<b>(1,261,841,690)</b>	<b>(9,615,071,537)</b>	<b>0</b>	<b>0</b>	<b>(20,270,829,354)</b>
<b>Net book value, 31 December 2021</b>	<b>10,651,055,594</b>	<b>2,226,739,142</b>	<b>487,045,545</b>	<b>6,854,150,991</b>	<b>334,653,414</b>	<b>1,936,955,413</b>	<b>22,490,600,099</b>
<b>Net book value, 31 December 2020, as restated</b>	<b>10,892,392,889</b>	<b>2,114,488,801</b>	<b>474,542,245</b>	<b>7,217,996,454</b>	<b>627,986,284</b>	<b>1,794,181,292</b>	<b>23,121,587,965</b>

The BPPFE costs and accumulated depreciation balances as at 31 December 2020 are restated, as follows:

	Land and building	Property improvement	Computer hardware	Plant and equipment	In-transit items	In progress/ under construction items	Total
<b>Cost</b>							
<b>31 December 2020, before adjustments</b>	<b>15,011,531,774</b>	<b>6,828,938,304</b>	<b>1,629,946,759</b>	<b>15,608,320,158</b>	<b>627,986,284</b>	<b>1,829,347,717</b>	<b>41,536,070,996</b>
Add/(deduct):							
Effect of restatement of prior period adjustments							
Reclassification to/from BPPFE, other assets & expense account	2,994,187	30,593,710	(3,080,000)	1,437,879	0	(35,166,425)	(3,220,649)
Non/(de)-recognition of property acquired, disposed/donated	0	0	(175,063)	(194,241)	0	0	(369,304)
	2,994,187	30,593,710	(3,255,063)	1,243,638	0	(35,166,425)	(3,589,953)
<b>31 December 2020, as restated</b>	<b>15,014,525,961</b>	<b>6,859,532,014</b>	<b>1,626,691,696</b>	<b>15,609,563,796</b>	<b>627,986,284</b>	<b>1,794,181,292</b>	<b>41,532,481,043</b>

	Land and building	Property improvement	Computer hardware	Plant and equipment	In-transit items	In progress/ under construction items	Total
<b>Accumulated Depreciation</b>							
<b>31 December 2020, before adjustments</b>	<b>(4,122,110,615)</b>	<b>(4,723,259,342)</b>	<b>(1,159,760,280)</b>	<b>(8,395,822,285)</b>	<b>0</b>	<b>0</b>	<b>(18,400,952,522)</b>
Add/(deduct):							
Effect of restatement of prior period adjustments							
Reclassification to/from BPPFE, other assets & expense account	(22,457)	(21,783,871)	0	4,151,452	0	0	(17,654,876)
Non/(de)-recognition of property acquired, disposed/donated	0	0	7,610,829	103,491	0	0	7,714,320
	(22,457)	(21,783,871)	7,610,829	4,254,943	0	0	(9,940,556)
<b>31 December 2020, as restated</b>	<b>(4,122,133,072)</b>	<b>(4,745,043,213)</b>	<b>(1,152,149,451)</b>	<b>(8,391,567,342)</b>	<b>0</b>	<b>0</b>	<b>(18,410,893,078)</b>
<b>Net book value, 31 December 2020, as restated</b>	<b>10,892,392,889</b>	<b>2,114,488,801</b>	<b>474,542,245</b>	<b>7,217,996,454</b>	<b>627,986,284</b>	<b>1,794,181,292</b>	<b>23,121,587,965</b>

The Fort San Pedro property in Iloilo City valued at PHP32.288 million, which is part of the BSP's initial capitalization of PHP10.000 billion in 1993, acquired by virtue of Presidential Proclamation (PP) No. 403 dated 26 May 1965, was subsequently allocated for local government purposes particularly for socialized urban housing

programs per various PPs. Thus, this became the subject of the Memorandum of Agreement (2015 MOA) entered into by and among the BSP, National Housing Authority (NHA), and the City Government of Iloilo City (CGI), for the reconveyance of the said property to the BSP.

In 2019, the MB approved the termination of the 2015 MOA based on the recent developments and reasonable justifications, with the concurrence of the NHA and CGI. Hence, the Fort San Pedro property will be subject to derecognition in the books. As this will result in the recognition of accounts receivable from the NG, representing its undercapitalization to BSP, the Bank coordinated with the NG thru the DOF on how to settle the issue.

## 20. INTANGIBLES

	CSAS	CSAS in process	Total
<b>Cost</b>			
01 January 2021, as restated	2,712,096,354	111,194,374	2,823,290,728
Additions	236,222,502	329,136,454	565,358,956
Disposals/Retirement	(18,988,738)	0	(18,988,738)
Reclassification	(2,485,000)	17,875,000	15,390,000
<b>31 December 2021</b>	<b>2,926,845,118</b>	<b>458,205,828</b>	<b>3,385,050,946</b>
<b>Accumulated amortization</b>			
01 January 2021, as restated	(2,541,471,440)		(2,541,471,440)
Amortization - CY 2021	(64,094,449)		(64,094,449)
Disposals/Retirement	18,774,904		18,774,904
Reclassifications	(410,667)		(410,667)
Adjustments	61,540		61,540
<b>31 December 2021</b>	<b>(2,587,140,112)</b>	<b>0</b>	<b>(2,587,140,112)</b>
<b>Net book value, 31 December 2021</b>	<b>339,705,006</b>	<b>458,205,828</b>	<b>797,910,834</b>
<b>Net book value, 31 December 2020, as restated</b>	<b>170,624,914</b>	<b>111,194,374</b>	<b>281,819,288</b>

The CSAS, CSAS in process and related accumulated amortization balances as of 31 December 2020 are restated as shown below:

	CSAS	CSAS in process
<b>Cost</b>		
31 December 2020, before adjustments	2,690,975,603	120,434,374
Add/(deduct):		
Reclass from CSAS In-Process to CSAS, completed on 6/30/20- iHRIS Project	12,320,000	(9,240,000)
Software donated by Asian Development Bank to BSP in line with the Personal Equity & Retirement Account	3,925,751	
Supply, Delivery, Installation of BSP MSS Enterprise Document Management System Invoice	4,875,000	
	21,120,751	(9,240,000)
<b>31 December 2020, as restated</b>	<b>2,712,096,354</b>	<b>111,194,374</b>
<b>Accumulated amortization</b>		
31 December 2020, before adjustments	(2,550,124,196)	
Add:		
Amortization of CSAS project completed in 2020	8,652,756	
<b>31 December 2020, as restated</b>	<b>(2,541,471,440)</b>	<b>0</b>

## 21. INVENTORIES

	Note	2021	2020
SPC inventories	a	18,599,125,607	12,497,354,515
Gold for refining	b	9,521,239,618	5,242,082,151
Work-in-process	c	1,078,741,197	867,182,315
Currency inventory	d	368,765,992	1,675,690,523
Gold for domestic sale		34,424,531	34,424,532
Silver for refining	b	4,452,418	2,823,928
Silver for domestic sale		388,052	388,052
Gold and silver for refining recovery	e	0	10,084,628
<b>Total</b>		<b>29,607,137,415</b>	<b>20,330,030,644</b>

a. The increase in plant inventories was attributable to the purchase and receipt of outsourced currency and the complete processing of work-in-process inventories.

b. Gold for refining and Silver for refining increased due to the rise in the number of gold purchases in 2021 brought by the ease in the COVID-19 alert level in NCR.

c. Work-in-Process rose due to the increased production of gold in 2021.

d. The decline in currency inventory was attributed to the low economic activity due to COVID-19 pandemic which effectively resulted to the decline of banks' currency withdrawals. The banknote order under MBR No. 534 dated 29 April 2021 was lower by 46.6 per cent (in value) and 45.5 per cent (in volume) compared to 2020 MB-approval under MBR No. 975 dated 30 July 2020. Relatedly, the coin order significantly declined by 59.2 per cent and 74.2 per cent in terms of value and volume, respectively, compared to CY 2020.

e. The balance in 2020 was already processed and booked under Work-in-Process account, while no amount was reported in 2021 in view of the travel restrictions during the pandemic that prompted the BSP's termination of its contract with the Phil-Japan Metals and Refined Products Co., Inc. on 05 February 2021.

## 22. MISCELLANEOUS ASSETS

	Note	2021	2020 (as restated)
Creditable tax certificates	a	2,121,169,632	4,835,087
Other supplies		736,201,722	647,563,484
Prepaid expenses	b	532,061,291	181,441,871
Stocks and other securities	c	501,689,780	455,602,697
Paintings and sculptures		131,954,163	136,494,041
Deferred charges	d	61,732,267	0
Deposits - utilities and services		52,881,377	53,316,464
Assets for disposal		50,397,155	48,460,499
Numismatic collections on hand		21,799,523	21,799,523
Miscellaneous assets		15,004,079	14,180,777
Due from DPWH		15,000,000	0
Withholding tax at source	e	10,042,708	3,271,708

	Note	2021	2020 (as restated)
Due from PICC	f	9,201,597	2,646,556
Input tax		6,078,510	5,369,524
Semi-expendable property		3,522,032	7,282,165
Commemorative notes and coins		862,895	793,950
Items for exhibit		862,381	862,381
Land under usufruct	g	82,275	82,275
Checks and other cash items		11,270	28,770
Demonetized commemorative coins		54	54
BSP Inter-Office reciprocal account		(20,000)	0
<b>Total</b>		<b>4,270,534,711</b>	<b>1,584,031,826</b>

	Balance, 31 December 2020 before adjustments	Adjustments	Balance, 31 December 2020 as restated
<b>Other supplies</b>	647,563,623	(139)	647,563,484
- Utilization of medical-dental supplies in-stock		(139)	
<b>Asset for disposal</b>	49,484,429	(1,023,930)	48,460,499
- Derecognition of PPE sold/donated		(1,023,930)	
<b>Miscellaneous assets</b>	14,257,903	(77,126)	14,180,777
- Reversal of miscellaneous assets - capitalizable foreclosure expenses to correct account balance		(77,126)	
<b>Semi-expendable property</b>	9,230,889	(1,948,724)	7,282,165
- Close semi-expendable property to expense account		(1,948,724)	
<b>Deposit, Utilities and Services</b>			
- Payment of prior year's services	53,561,164	(244,700)	53,316,464

a. The account refers to tax credit certificate (TCC) issued by the BIR on 26 October 2021 in view of the BSP's tax exemption under Section 125 of RA No. 7653, as amended by RA No. 11211, and refund of customs duties, taxes, fees, etc. earlier paid in protest by the Bank from CYs 1996-1998 for the importation of various spare parts by the then Cash Department issued by the Bureau of Customs on 23 December 2008 in favor of the BSP. It also includes input taxes claimed by the Mint and Refinery Operations Department (MROD) from the suppliers of blister packaging, wooden medal boxes, and clear plastic capsules for Papal coins.

b. The account includes taxes withheld from purchases of short-term government securities which are later recognized as expense upon maturity. The increment of PHP350.619 million or one hundred ninety-three per cent (193%) was mainly due to the increase in taxes withheld from purchases of Fixed Rate Treasury Bonds.

c. Stocks and other securities composed of the following:

Particulars	Note	Amount
PICCI investments	c.1	501,087,083
Proprietary membership share		601,000
Telephone companies' stocks		1,697
<b>Total</b>		<b>501,689,780</b>

c.1. The PICCI investments rose by PHP45.000 million representing additional placement in treasury bonds in the Land Bank of the Philippines (LBP).

d. This represents the unamortized portion of the advance fixed lease for the 4<sup>th</sup> and 5<sup>th</sup> year paid by the BSP for the lease of the 313,171-square meter parcel of land of the BCDA relative to its Complex at the NCC Project.

e. The significant rise of PHP6.771 million or two hundred seven per cent (207%) was principally due to increases in rental income from BSP properties/acquired assets and service fees on deposits of notes.

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

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

### 23. SHORT-TERM FOREIGN CURRENCY DEPOSITS

	Note	2021	2020
National Government	a	142,359,141,901	279,123,353,366
Other entities	b	8,096,481,794	4,563,700,704
		150,455,623,695	283,687,054,070
Accrued interest		6,858,413	20,808,661
<b>Total</b>		<b>150,462,482,108</b>	<b>283,707,862,731</b>

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

	2021	2020
<b>National Government</b>		
TOP-Time Deposits	41,085,044,000	112,225,077,000
TOP-Special Accounts	101,274,097,901	166,898,276,366
<b>Total</b>	<b>142,359,141,901</b>	<b>279,123,353,366</b>

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

	2021	2020
<b>Other Entities</b>		
<b>Financial Institutions</b>		
Time Deposits		
- Bank of America NT & S.A. Manila	3,058,440,000	4,561,995,000
Foreign Securities Purchased under Agreement to Resell		
- Bank of America NT & S.A. Manila	1,529,220,000	0
- Maybank Philippines, Inc.	1,529,220,000	0
- Sumitomo Mitsui Banking Corporation	1,977,791,200	0

	2021	2020
	5,036,231,200	0
<b>GOCCs</b>		
- North Luzon Railways Corporation	1,795,571	1,691,551
- Metropolitan Waterworks and Sewerage System (MWSS)	15,023	14,153
	1,810,594	1,705,704
<b>Total</b>	<b>8,096,481,794</b>	<b>4,563,700,704</b>

## 24. BONDS PAYABLE

	Note	2021	2020
Bonds due 2027	a	20,389,600,000	19,208,400,000
Bonds due 2097		5,097,400,000	4,802,100,000
		25,487,000,000	24,010,500,000
Discount on bonds		(86,044,411)	(82,053,459)
		25,400,955,589	23,928,446,541
Accrued interest		91,328,417	86,037,623
<b>Total</b>		<b>25,492,284,006</b>	<b>24,014,484,164</b>

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

## 25. ALLOCATION OF SPECIAL DRAWING RIGHTS

	2021	2020
Allocation of SDRs	199,473,653,835	57,956,324,821
Accrued interest	18,247,822	10,044,158
<b>Total</b>	<b>199,491,901,657</b>	<b>57,966,368,979</b>

SDR Allocation is a low-cost way of adding to members’ international reserves, allowing members to reduce their reliance on more expensive domestic or external debt for building reserves. This is a long-term liability with no maturity date. This account will only become due upon demand by the IMF or when the ROP ceases to be a member of the IMF.

The increase in the Allocation of SDR is congruent with the increase in Holdings of SDR, which mainly resulted from the IMF’s approval of a general allocation of SDRs equivalent to US\$650.000 billion (about SDR458.000 billion), of which the Philippines’ share is USD2.773 billion (SDR1.958 billion, or equivalent to about Php140.000 billion) effective 23 August 2021.



## 26. OTHER LIABILITIES

	2021	2020 (as restated)
<b>Foreign currency financial liabilities</b>		
Accounts payable	1,796,650,535	1,707,633,770
Accrued expenses	451,847,787	281,522,340
Other financial liabilities	2,082,228,969	7,377,389,867
<b>Total</b>	<b>4,330,727,291</b>	<b>9,366,545,977</b>

<b>Local currency non-financial liabilities</b>		
Retirement benefits obligation	4,854,390,825	3,132,816,522
Deferred tax liability	8,332,097	8,329,625
Miscellaneous liabilities	31,167,329,086	31,991,491,774
Accounts Payable	3,432,322,552	3,664,111,021
Taxes payable	2,116,588,624	1,809,246,283
Accrued expenses	59,590,305	82,568,773
Other local currency liabilities	25,558,827,605	26,435,565,697
<b>Total</b>	<b>36,030,052,008</b>	<b>35,132,637,921</b>

	Note	Balance, 31 December 2020 before adjustments	Adjustments	Balance, 31 December 2020 as restated
<b>Foreign currency financial liabilities</b>				
<b>Accrued expenses</b>		<b>301,281,375</b>	<b>(19,759,035)</b>	<b>281,522,340</b>
- Payment of various expenses incurred in 2020			5,128,912	
- Over-accrual and over-payment of custodian and management fees			(24,887,947)	
<b>Local currency non-financial liabilities</b>				
<b>Dividends Payable</b>	a	<b>449,345,216</b>	<b>(449,345,216)</b>	<b>0</b>
- Conveyance of property dividends to NG per Deed of Conveyance made and executed by and between the ROP and the BSP on 28 November 2019			(449,345,216)	
<b>Miscellaneous liabilities</b>				
<b>Accounts payable</b>		<b>3,162,676,186</b>	<b>501,434,835</b>	<b>3,664,111,021</b>
- Payment/adjustment of prior year's expenses (personal, travel and other services)			514,829,998	
- Reapplication/adjustment of loan			1,250,430	
- Liquidation of prior year's cash			178,487	
- Collection of prior year's income on sale, redemption of acquired assets and leased properties			(13,886,705)	
- Over-accrual of janitorial services, repairs and maintenance, special supplies, external professional services and overtime claims			(937,375)	
<b>Taxes payable</b>		<b>1,785,407,210</b>	<b>23,839,073</b>	<b>1,809,246,283</b>
- Adjustment of prior year's expenses (personal, travel and other services)			33,969,304	
- Adjustment of income tax expense for the year 2020			(8,945,142)	
- Reclassification of final tax on interest income on government securities			(1,185,089)	

	Balance, 31 December 2020 before adjustments	Adjustments	Balance, 31 December 2020 as restated
<b>Other local currency liabilities</b>	26,475,882,406	(40,316,709)	26,435,565,697
<b>Liability for Redemption of Demonetized Currencies</b>			
- Recognition of income on unexchanged old series of demonetized commemorative coins		(39,740,822)	
<b>Deferred income</b>			
- Reapplication/adjustment of loan payment		(600,000)	
<b>Unrealized profit on assets sold</b>			
- Collection of prior year's income on sale of acquired assets		(225,913)	
<b>Checks Issued</b>			
- Adjustment of prior year's expenses (other services)		257,279	
<b>Deposit from leased properties</b>			
- Adjustment of rental payments		(7,253)	

a. This includes the assigned value of the Pamintuan Mansion in Angeles City together with thirteen (13) other properties for conveyance to the NG as property dividend for CY 2009 per MBR No. 761 dated 4 June 2010.

The Deed of Conveyance was made and executed by and between the ROP acting through the BTr, and the BSP on 28 November 2019. Both parties accepted the final valuation of the subject properties made by the Commission on Audit (COA) in the amount of PHP451,019,382.00.

As per MBR No. 1441 dated 19 September 2019, the amount of PHP164.131 million was recognized as Miscellaneous Income upon execution of the Deed of Conveyance, representing the difference between the carrying/book value and appraised value per BSP valuation, of the fourteen (14) properties declared as property dividends for CY 2009.

Furthermore, there is a contingent receivable in the amount of PHP1.674 million for the overpayment of dividends resulting from the higher valuation of the 14 properties by COA, pending the final ruling of the SC on BSP's Petition for Certiorari against COA, on the issue of proper computation of dividend.

## 27. DEPOSITS

	Note	2021	2020
<b>Government deposits</b>			
Short-term	a	762,885,845,526	518,844,932,522
Accrued interest		4,724,245,774	3,012,239,466
<b>Total</b>		<b>767,610,091,300</b>	<b>521,857,171,988</b>

	Note	2021	2020
<b>Demand Deposits</b>			
Banks/NBQBs-reserve deposits	b	1,392,325,981,279	1,331,378,159,229
Secured settlement account		30,449,299,499	31,535,501,521
Others		30,653,874,147	30,549,780,776
<b>Total</b>		<b>1,453,429,154,925</b>	<b>1,393,463,441,526</b>
<b>IMF and other financial institutions</b>			
	c		
Due to IMF		96,932,152,964	96,817,305,037
International financial institutions		169,330,563	159,613,732
Due to other foreign banks		2,391,323	2,391,323
<b>Total</b>		<b>97,103,874,850</b>	<b>96,979,310,092</b>

#### a. Government deposits

Short-term deposits include NG's peso regular and special deposit accounts (except Special Account No. 2). Effective 12 August 2013 and onward, the interest rate used is "One minus the Reserve Requirement (RR) rate multiplied by the Special Deposit Account (SDA) rate (1-RR rate x SDA rate)" as approved under MBR Nos. 1301 and 1308 both dated 08 August 2013. Effective 3 June 2016, the ODF replaced the SDA per MBR No. 961 dated 2 June 2016, and thus, as the factor in the computation of the interest rate.

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

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

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

#### b. Demand deposits of banks/NBQBs

Effective 6 April 2012, the deposits maintained by banks/NBQBs with the BSP in compliance with the reserve requirements are no longer paid interest as per MBR No. 1924 dated 27 December 2011 and BSP Circular No. 753 dated 29 March 2012.

#### c. IMF currency holdings and other financial institutions

The ROP has been a member of the IMF since 1945. BSP is the designated depository for the IMF's holdings of local currency. The IMF's (Account No. 1) holdings of local currency amounted to an equivalent of SDR1.372 billion as of 31 December 2021.

The balance of IMF's security holdings (SDR94.228 million) that includes non-negotiable, non-interest bearing security, encashable on demand and issued in favor of the IMF, is held by the BSP on a custodial basis in its capacity as the IMF's depository.

The IMF revalues its local currency holdings on 30 April of each year at which time a currency valuation adjustment arises. For CY 2021, the Peso depreciated by PHP0.362 against the SDR, from the peso/SDR exchange rate of PHP69.125/SDR as at 30 April 2020 to PHP69.487/SDR as at 30 April 2021. The peso depreciation resulted in a revaluation loss of PHP0.333 billion. The revaluation is solely attributable to the NG since the BSP had fully paid its credit availments from Standby Credit Facility (SCF) and Extended Fund Facility (EFF) since December 2006. The BSP booked the revaluation loss as addition to its receivable from NG under the "Accounts Receivable-TOP" account.

As of 31 December 2021, the IMF Summary Statement of Position shows that the total IMF currency holdings aggregated to PHP103.531 billion consisting of the balances of "Account Nos. 1 and 2 of PHP96.116 billion, security holdings of PHP6.599 billion and accrued revaluation loss of PHP0.816 billion (covering the period May 2021 to December 2021). This valuation adjustment was booked as of 31 December 2021.

## 28. BILLS PAYABLE

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

	2021	2020
BSP securities	260,000,000,000	220,000,000,000
Discount on bills payable - domestic	(140,421,093)	(130,235,637)
<b>Total</b>	<b>259,859,578,907</b>	<b>219,869,764,363</b>

## 29. CURRENCY IN CIRCULATION

	2021	2020 (as restated)
Currency notes issued	2,640,723,952,050	2,338,361,446,020
Cash on hand - notes	(519,293,097,180)	(347,662,342,390)
<b>Net notes in circulation</b>	<b>2,121,430,854,870</b>	<b>1,990,699,103,630</b>
Currency coins issued	59,760,581,761	51,491,747,524
Cash on hand - coins	(5,317,523,412)	(3,339,834,996)
<b>Net coins in circulation</b>	<b>54,443,058,349</b>	<b>48,151,912,528</b>
<b>Currency in circulation, 31 December</b>	<b>2,175,873,913,219</b>	<b>2,038,851,016,158</b>

	Currency notes issued	Currency coins issued
<b>Currency issued</b>		
Balances, 31 December 2020, before adjustments	2,338,361,540,920	51,491,688,099
Add/(deduct):		
- Altered genuine currency	(94,900)	
- Mutilated currency		59,425
<b>Balances, 31 December 2020, as restated</b>	<b>2,338,361,446,020</b>	<b>51,491,747,524</b>

### Inventory of Currency Issued

	January 1 2021	Requisitions from CID	Retirement	December 31 2021
<b>Currency issued</b>				
Notes	2,338,361,540,920	1,029,526,552,000	(727,164,140,870)	2,640,723,952,050
Coins	51,491,688,099	8,308,347,000	(39,453,338)	59,760,581,761
	2,389,853,229,019	1,037,834,899,000	<b>(727,203,594,208)</b>	<b>2,700,484,533,811</b>
<b>Cash on hand</b>				
Notes				519,293,097,180
Coins				5,317,523,412
Total Held in CIPD and RO				524,610,620,592
<b>Total currency in circulation</b>				<b>2,175,873,913,219</b>

Details of currency in circulation are as follows:

	Denomination	Quantity (No. of Pcs)		Amount	
		2021	2020 (as restated)	2021	2020 (as restated)
Notes	1,000	1,654,057,541	1,532,650,102	1,654,057,541,000	1,532,650,102,000
	500	602,648,642	594,996,611	301,324,321,000	297,498,305,500
	200	44,249,118	28,496,457	8,849,823,600	5,699,291,400
	100	1,010,657,009	945,348,488	101,065,700,900	94,534,848,800
	50	752,261,911	682,310,515	37,613,095,550	34,115,525,750
	20	925,204,891	1,310,051,509	18,504,097,820	26,201,030,180
				2,121,414,579,870	1,990,699,103,630
Commemorative Notes		3,255		16,275,000	
				2,121,430,854,870	1,990,699,103,630
Coins	20 –Piso	257,742,301	29,358,744	5,154,846,020	587,174,880
	10 – Piso	1,297,795,702	1,250,874,802	12,977,957,020	12,508,748,020
	5 - Piso	4,111,571,670	3,934,580,127	20,557,858,350	19,672,900,635
	1 - Piso	12,047,932,245	11,795,930,982	12,047,932,245	11,795,930,982
	25 - Sentimo	11,679,058,986	11,250,579,759	2,919,764,746	2,812,644,940
	10 - Sentimo	3,792,018,981	3,792,028,817	379,201,898	379,202,882
	5 - Sentimo	3,512,655,003	3,404,677,480	175,632,750	170,233,874
1 - Sentimo	77,571,364	73,395,946	775,714	733,959	
				54,213,968,743	47,927,570,172
Commemorative coins		972,053	938,349	229,089,606	224,342,356
				54,443,058,349	48,151,912,528
<b>Total currency in circulation, 31 December</b>				<b>2,175,873,913,219</b>	<b>2,038,851,016,158</b>

The details of currency in circulation as at 31 December 2020 are restated as follows:

Denomination	Quantity (No. of Pcs)		Amount			
	2020 (before restatement)	Adjustment	2020 (as restated)	2020 (before restatement)	Adjustment	2020 (as restated)
Notes	1,000	0	1,532,650,102	1,532,650,102,000	0	1,532,650,102,000
	500	0	594,996,611	297,498,305,500	0	297,498,305,500
	200	0	28,496,457	5,699,291,400	0	5,699,291,400
	100	(949)	945,349,437	94,534,943,700	(94,900)	94,534,848,800
	50	0	682,310,515	34,115,525,750	0	34,115,525,750
	20	0	1,310,051,509	26,201,030,180	0	26,201,030,180
				1,990,699,198,530	(94,900)	1,990,699,103,630
Coins	20 - Piso	0	29,358,744	587,174,880	0	587,174,880
	10 - Piso	6,462	1,250,868,340	12,508,683,400	64,620	12,508,748,020
	5 - Piso	(1,439)	3,934,581,566	19,672,907,830	(7,195)	19,672,900,635
	1 - Piso	2,000	11,795,928,982	11,795,928,982	2,000	11,795,930,982
	25 - Sentimo	0	11,250,579,759	2,812,644,940	0	2,812,644,940
	10 - Sentimo	0	3,792,028,817	379,202,882	0	379,202,882
	5 - Sentimo	0	3,404,677,480	170,233,874	0	170,233,874
	1 - Sentimo	0	73,395,946	733,959	0	733,959
				47,927,510,747	59,425	47,927,570,172
Commemorative coins	938,349	0	938,349	224,342,356		224,342,356
				48,151,853,103	59,425	48,151,912,528
<b>Total currency in circulation, 31 December, as restated</b>				<b>2,038,851,051,633</b>	<b>(35,475)</b>	<b>2,038,851,016,158</b>

### 30. REVALUATION OF FOREIGN CURRENCY ACCOUNTS

	2021	2020
<b>Unrealized gains on FX rate fluctuations</b>		
Beginning balance, January 1	156,001,207,749	362,472,104,398
Add/(deduct):		
Unrealized gains/(losses) for the year (net of realized transactions)	266,163,461,124	(206,470,896,649)
Ending balance, December 31	422,164,668,873	156,001,207,749
<b>Unrealized gains on price fluctuations</b>		
Beginning balance, January 1	322,423,029,177	63,463,267,612
Add/(deduct):		
Unrealized gains/(losses) for the year (net of realized transactions)	(127,115,997,684)	259,062,000,576
Impairment loss	(156,325,385)	(102,239,011)
Ending balance, December 31	195,150,706,108	322,423,029,177
<b>Unrealized gains on FX rate and price fluctuations, December 31</b>	<b>617,315,374,981</b>	<b>478,424,236,926</b>

### 31. CAPITAL ACCOUNTS

	Note	2021	2020 (as restated)
Capital	a	50,000,000,000	50,000,000,000
Surplus	b	39,259,165,248	23,637,574,320
Unrealized gains/(losses) on investments in			
Government securities		(72,380,267,458)	14,270,582,708
Stocks and other securities		(7,803)	(7,803)
	c	(72,380,275,261)	14,270,574,905

	Note	2021	2020 (as restated)
Capital Reserves	d	119,341,894,331	83,006,117,471
Managed Funds			
Fidelity insurance fund		22,247,379,248	22,247,379,248
Currency insurance fund		6,000,243,191	6,000,000,000
BSP Properties self-insurance fund		2,949,749,059	2,883,450,265
Retirement benefit fund		1,902,300,676	1,829,110,202
Directors'/officers' liability		1,845,084,908	1,777,954,077
		34,944,757,082	34,737,893,792
Other Fund			
Fluctuations in price of gold		42,582,587,455	42,582,587,455
BSP Complex- New Clark City Project	e	25,272,401,000	0
Fluctuations in FX rate	f	10,860,675,856	0
Contingencies		3,644,871,739	3,644,871,739
Property insurance		1,600,000,000	1,600,000,000
SPC rehabilitation		386,578,353	390,741,639
Cultural properties acquisition fund		40,689,229	40,689,229
Gold insurance fund		9,333,617	9,333,617
		84,397,137,249	48,268,223,679
<b>Total</b>		<b>136,220,784,318</b>	<b>170,914,266,696</b>

a. Pursuant to Section 2 of RA No.7653, as amended by RA No. 11211, the capital of the BSP shall be PHP200.000 billion, to be fully subscribed by the NG. The increase in capitalization shall be funded solely from the declared dividends of the BSP in favor of the NG. For this purpose, any and all declared dividends of the BSP shall be deposited in a special account in the General Fund and earmarked for the payment of the BSP's increase in capitalization. Such payment shall be released and disbursed immediately and shall continue until the increase in capitalization has been fully paid.

In 2014, the NG had fully paid the BSP's capitalization of PHP50.000 billion prescribed under RA No. 7653 prior to the amendment of its Charter under RA No. 11211, which took effect on 06 March 2019.

b. In accordance with PAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors," the Surplus for CY 2020 is restated as follows:

Surplus, 1 January 2020, before adjustments	15,139,738,052
Add:	
Restatement of net adjustments on income and expenses prior to CY 2020	349,690,530
Surplus, 1 January 2020, as restated	15,489,428,582
Deduct:	
Transactions for CY 2020	(23,076,786,044)
Surplus, 31 December 2020, before net income	(7,587,357,462)
Net income for the period, before adjustments	31,711,907,590
Deduct:	
Restatement of net adjustments on income and expenses for CY 2020	(486,975,808)
Net income for the period, as restated	31,224,931,782
<b>Surplus, 31 December 2020, as restated</b>	<b>23,637,574,320</b>

The details of restated prior period adjustments on income and expenses and transactions for CY 2020 are presented in the Statement of Changes in Equity.

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

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

	<b>2021</b>	<b>2020</b>
Beginning balance	14,270,574,905	378,667,735
Effect of marking to market of investments in government securities, stocks and other securities	(86,650,850,166)	13,891,907,170
<b>Ending balance</b>	<b>(72,380,275,261)</b>	<b>14,270,574,905</b>

d. The BSP booked the income earned on invested managed funds for the year 2021 in the amount of PHP223.789 million.

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

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

### **32. INTEREST INCOME AND INTEREST EXPENSES**

	<b>2021</b>	<b>2020</b> (as restated)
<b>Interest income from financial assets</b>		
Interest income from foreign currency financial assets		
Foreign investment	63,615,275,650	52,282,711,252
Other foreign currency receivables	8,434,438,390	4,801,639,580
Deposits with foreign banks	664,634,688	2,575,009,717
IMF SDR	59,128,948	122,019,584
Gold Deposits	17,875,433	24,417,396
Due from/(to) broker	0	38,829
	72,791,353,109	59,805,836,358
Interest income from local currency financial assets		
Government securities	41,164,916,241	23,277,150,581
Loans and advances	1,204,008,718	1,921,460,647
Other receivables	286,276,875	226,100,843
Overnight lending account	258,680	182,810,445
	42,655,460,514	25,607,522,516
<b>Total</b>	<b>115,446,813,623</b>	<b>85,413,358,874</b>

	<b>Balance, 31 December 2020 before adjustments</b>	<b>Adjustments</b>	<b>Balance, 31 December 2020, as restated</b>
<b>Interest income from local currency financial assets</b>			
<b>Loans and advances</b>	<b>1,920,518,572</b>	<b>942,075</b>	<b>1,921,460,647</b>
- Reapplication/adjustment of loan payments		949,236	
- Expenses incurred capitalized to Foreclosed Investment Property		(7,161)	



	Balance, 31 December 2020 before adjustments	Adjustments	Balance, 31 December 2020, as restated
<b>Other receivables</b>	<b>243,414,063</b>	<b>(17,313,220)</b>	<b>226,100,843</b>
- Adjustment on sale/application of payment of acquired assets		6,140,741	
- Adjustment of Accrued interest Receivable		(23,453,961)	
		<b>2021</b>	<b>2020</b>
<b>Interest expense from financial liabilities</b>			
Interest expense on foreign currency financial liabilities			
Bonds payable		2,643,486,511	2,655,705,120
Short term deposits		78,404,802	285,062,656
Allocation of IMF SDR		58,033,331	117,177,159
Cash collateral received		25,581	0
		<b>2,779,950,225</b>	<b>3,057,944,935</b>
Interest expense on local currency financial liabilities			
Government deposits		21,461,406,545	12,754,715,234
Term deposit account		15,309,646,149	9,871,717,293
Overnight Deposit Account		7,890,441,333	12,298,354,228
Bills payable		6,707,656,731	1,145,217,975
Securities sold under agreements to repurchase		6,181,363,562	7,211,775,588
Deposits of banks and other financial institutions		8,765,232	95,679,238
		<b>57,559,279,552</b>	<b>43,377,459,556</b>
<b>Total</b>		<b>60,339,229,777</b>	<b>46,435,404,491</b>

### 33. OTHER INCOME

	Note	2021	2020 (as restated)
<b>Printing, minting and refinery</b>		562,125,872	145,250,944
<b>Fees – local</b>			
Banking supervision/clearing/license fees		6,825,168,333	6,303,343,416
Penalties and late charges		867,491,220	84,408,655
Processing and filing fees		101,229,000	52,097,725
Transaction fee – PhilPaSS		0	49,494,969
Others		334,913,719	145,493,615
		<b>8,128,802,272</b>	<b>6,634,838,380</b>
<b>Other income</b>			
Income on acquired assets		974,247,043	446,822,674
Rental on building and facilities		153,374,956	191,274,084
Rental on acquired assets		1,404,729	3,202,183
Other miscellaneous income	a	5,640,993,611	1,315,073,092
		<b>6,770,020,339</b>	<b>1,956,372,033</b>
<b>Other operating income</b>		<b>15,460,948,483</b>	<b>8,736,461,357</b>

	Balance, 31 December 2020 before adjustments	Adjustments	Balance, 31 December 2020 as restated
<b>Fees - Local</b>			
<b>Banking supervision/clearing/license fees</b>	<b>6,302,151,416</b>	<b>1,192,000</b>	<b>6,303,343,416</b>
- Collection of prior year's income from banking fees		1,192,000	
<b>Penalties and late charges</b>	<b>80,698,744</b>	<b>3,709,911</b>	<b>84,408,655</b>

	Balance, 31 December 2020 before adjustments	Adjustments	Balance, 31 December 2020 as restated
- Collection of prior year's income from penalties (i.e., late deliveries, reporting, payments and others)		1,962,614	
- Reapplication/ adjustment of payments (i.e., loan, rental, acquired asset, penalties, supervisory fees and others)		1,747,297	
<b>Processing and filing fees</b>	<b>50,012,890</b>	<b>2,084,835</b>	<b>52,097,725</b>
- Collection of prior year's income from processing and filing fees		2,084,835	
<b>Other Income</b>			
<b>Income on acquired assets</b>	<b>443,900,696</b>	<b>2,921,978</b>	<b>446,822,674</b>
- Late booking of sale of acquired assets		1,762,657	
- Reapplication/ adjustment of payments (i.e., loan, rental, acquired asset, penalties, supervisory fees and others)		1,159,321	
<b>Rental on acquired assets</b>	<b>2,993,817</b>	<b>208,366</b>	<b>3,202,183</b>
- Adjustment on application of rental payments		208,366	
<b>Other miscellaneous income</b>	<b>263,350,913</b>	<b>1,051,722,179</b>	<b>1,315,073,092</b>
- Reclassification to proper account due to negative balance		1,052,575,596	
- Collection of prior year's income (i.e., sale of acquired asset, property self-insurance, vault rental and other charges)		1,030,222	
- Under recording of income from altered genuine notes		94,900	
- Reapplication/adjustment of payments/refund (i.e., loan, rental, acquired asset, bid documents, disallowances and others)		(1,978,539)	

a. Other miscellaneous income significantly increased mainly due to amortized deferred taxes on government securities traded on secondary market (PHP3.187 billion); and the creditable tax certificates received from the BIR (PHP2.116 billion), representing tax refund for income taxes withheld by the following: (i) BTr - on interest payments to the BSP and discounts on its government securities purchases for the period 06 March 2019 to 31 January 2020 and on 30 June 2020; (ii) Counterparty banks - on the BSP's income from the Overnight lending facility; and (iii) BSP - on its interest income from the reacquired portion of BSP bonds.

### 34. IMPAIRMENT ON FINANCIAL ACCOUNTS

	2021	2020 (as restated)
<b>Impairment on foreign currency financial accounts</b>		
Due from foreign banks	4,200,713	1,117,283
Foreign investment	1,211,319	1,425,181
FS purchased under agreement to resell	306,804	13,667
	<b>5,718,836</b>	<b>2,556,131</b>

	2021	2020 (as restated)
<b>Impairment on local currency financial accounts</b>		
Loans and advances	3,750,169,671	3,832,903
Accounts receivable	7,033,578	34,157,949
Lease receivable	23,069	242,698
	<b>3,757,226,318</b>	<b>38,233,550</b>
<b>Total</b>	<b>3,762,945,154</b>	<b>40,789,681</b>

<b>Impairment on local currency financial accounts</b>		
Accounts receivable, as of 31 December 2020, before adjustments		36,808,293
Deduct:		
Adjustment of prior year's booking		2,650,344
<b>As of 31 December 2020, as restated</b>		<b>34,157,949</b>

### 35. CURRENCY PRINTING AND MINTING COST

	2021	2020
Notes	8,023,930,976	8,467,148,330
Coins	3,486,277,754	3,142,287,182
<b>Total</b>	<b>11,510,208,730</b>	<b>11,609,435,512</b>

### 36. OPERATING EXPENSES

	2021	2020 (as restated)
Personnel services, development and training	23,290,936,008	15,271,585,321
Administrative expenses	7,659,732,467	6,610,292,731
Depreciation/amortization	1,006,186,637	1,012,901,974
Recovery due to/from market decline	12,831,875	(5,317,008)
<b>Total</b>	<b>31,969,686,987</b>	<b>22,889,463,018</b>

#### a. PERSONNEL SERVICES

	2021	2020 (as restated)
Salaries and wages	16,111,064,068	11,498,571,281
Defined contribution plans	3,854,904,778	2,469,178,338
Post-retirement benefits	2,030,965,639	341,372,398
Social security contribution	838,294,734	547,473,247
Sickness and death benefits	377,556,609	315,075,013
Personnel development and training	76,955,171	98,155,989
Medical and dental benefits	1,195,009	1,759,055
<b>Total</b>	<b>23,290,936,008</b>	<b>15,271,585,321</b>

The following personnel services account balances for the year ended 31 December 2020 are restated as follows:

	Balance, 31 December 2020 before adjustments	Adjustments	Balance, 31 December 2020, as restated
Salaries and wages	11,497,696,542	874,739	11,498,571,281
Defined contribution plans	2,470,215,620	(1,037,282)	2,469,178,338
Social security contribution	547,699,499	(226,252)	547,473,247
Sickness and death benefits	307,117,021	7,957,992	315,075,013
Personnel development and training	86,727,242	11,428,747	98,155,989
Medical and dental benefits	1,758,917	138	1,759,055
<b>Total</b>	<b>14,911,214,841</b>	<b>18,998,082</b>	<b>14,930,212,923</b>

## b. ADMINISTRATIVE EXPENSES

	Note	2021	2020 (as restated)
Taxes and licenses	b.1	4,593,568,158	84,717,285
Repairs and maintenance		886,171,168	927,116,964
Communication services		380,062,869	334,926,857
Consultants and specialist services		243,743,855	217,662,501
Water, illumination and power services		245,703,983	254,672,478
Currency and gold operations expenses		246,264,063	3,732,849,701
Rentals	b.2	99,335,587	35,942,219
Grants, subsidies and contributions		99,361,950	27,771,077
Fidelity and property insurance		87,017,246	73,919,970
Acquired assets expenses	b.3	76,483,429	163,033,803
Supplies and materials		57,455,974	49,930,770
Traveling expenses		58,919,253	80,817,627
Auditing services		54,607,860	59,582,907
Conference, workshop and convention expenses		11,501,531	16,740,091
Discretionary expenses		4,101,636	3,732,858
Ammunitions		3,638,908	236,680
Others		511,794,997	546,638,943
<b>Total</b>		<b>7,659,732,467</b>	<b>6,610,292,731</b>

The following administrative expense account balances for the year ended 31 December 2020 are restated as follows:

	Balance, 31 December 2020 before adjustments	Adjustments	Balance, 31 December 2020 as restated
Currency and gold operations expenses	3,719,042,076	13,807,625	3,732,849,701
Repairs and maintenance	693,405,058	233,711,906	927,116,964
Communication services	310,749,952	24,176,905	334,926,857
Consultants and specialist services	115,903,332	101,759,169	217,662,501
Water, illumination and power services	243,319,644	11,352,834	254,672,478
Acquired asset expenses	115,453,244	47,580,559	163,033,803
Travelling expenses	79,650,314	1,167,313	80,817,627
Fidelity and property insurance	73,398,162	521,808	73,919,970
Auditing services	58,864,745	718,162	59,582,907
Supplies and materials	45,582,115	4,348,655	49,930,770
Grants, subsidies and contributions	27,437,956	333,121	27,771,077
Rentals	22,178,418	13,763,801	35,942,219
Conference, workshop and convention expenses	16,417,711	322,380	16,740,091
Discretionary Expenses	3,444,362	288,496	3,732,858
Others	493,582,075	53,056,868	546,638,943
	<b>6,018,429,164</b>	<b>506,909,602</b>	<b>6,525,338,766</b>

b.1 Taxes and licenses account balances for CYs 2021 and 2020 are reduced by the amounts of final taxes paid on interest income/discounts (presented as a separate line item in the Income Statement); and taxes and licenses paid on

acquired assets (included in the total acquired assets expenses as shown in the succeeding table). Impairments are presented separately in Note 34 in compliance with the guidelines and procedures of PFRS 9.

b.2 The BSP's outstanding lease contracts as of 31 December 2021 do not contain leases under PFRS 16 considering that the contracts do not convey the right to control the use of identified assets, except for the lease contract with the Rizal Commercial Banking Corporation (RCBC), and for the rental of property used by the Gold Buying Station at Baguio City with a term of six (6) months from the last renewal. However, the said contract is classified as a short-term lease that falls within the recognition exemptions of PFRS 16.

Among the BSP's existing contracts are the two (2) lease agreements with the Allcard, Inc., and the contract of lease with the Bases Conversion and Development Authority (BCDA), as follows:

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

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

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

3.1 Administration building, academy, executive guest lodging facility, museum;

3.2 Security Plant Complex to include security printing facilities for currency, national identification card, land title certificate, and passports, and facilities for coin minting and gold refining;

3.3 Command and data centers, open grounds with landscape features, vehicular parking facilities, interior roadways and walkways, recreational facilities; and

3.4 Other facilities and structures to support the operations of the BSP.

The abovementioned agreements neither fall within the recognition exemptions nor qualify under the definition of a lease in PFRS 16. The BSP does not have the right to control the use of identified assets for the following reasons:

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

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

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

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

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

Foregoing considered, the BSP as a lessee, recognized the total lease payments for CY 2021 as an expense on a straight-line basis.

b.3 The acquired assets expenses consist of the following:

	<b>2021</b>	<b>2020</b>
Security services	34,403,716	100,640,432
Taxes and licenses	21,629,585	31,261,654
External professional services	10,666,031	22,505,505
Association/condominium fees	7,759,227	6,717,450
Fidelity insurance	1,684,265	1,505,668
Legal fees	340,605	202,880
Repairs and maintenance	0	200,214
<b>Total</b>	<b>76,483,429</b>	<b>163,033,803</b>

	Balance, 31 December 2020 before adjustments	Adjustments	Balance, 31 December 2020 as restated
<b>Security services</b>	<b>49,661,354</b>	<b>50,979,078</b>	<b>100,640,432</b>
- Expenses incurred in 2020 but paid in 2021		50,979,078	
<b>Taxes and licenses</b>	<b>38,937,167</b>	<b>(7,675,513)</b>	<b>31,261,654</b>
Expenses incurred in 2020 but paid in 2021		787,936	
Capitalization of expenses to investment property		(8,272,298)	
Buyer's share in property expenses		(185,784)	
Adjustment on sale/application of payment of acquired asset		(5,367)	
<b>External professional services</b>	<b>18,933,115</b>	<b>3,572,390</b>	<b>22,505,505</b>
- Expenses incurred in 2020 but paid in 2021		3,572,390	
<b>Association/ condominium fees</b>	<b>6,154,749</b>	<b>562,701</b>	<b>6,717,450</b>
Expenses incurred in 2020 but paid in 2021		562,701	

	Balance, 31 December 2020 before adjustments	Adjustments	Balance, 31 December 2020 as restated
<b>Fidelity insurance</b>	<b>1,500,782</b>	<b>4,886</b>	<b>1,505,668</b>
- Expenses incurred in 2020 but paid in 2021		5,061	
- Adjustment on sale/application of payment of acquired asset		(135)	
- Buyer's share in property expenses		(40)	
<b>Legal Expenses</b>	<b>65,863</b>	<b>137,017</b>	<b>202,880</b>
- Expenses incurred in 2020 but paid in 2021		137,017	

### c. DEPRECIATION/AMORTIZATION

Depreciation of BPPFE and amortization of CSAS for the year ended 31 December 2020 are restated as follows:

	Depreciation	Amortization	Total
Depreciation/amortization, 31 December 2020, before adjustments	<b>947,687,259</b>	<b>78,762,963</b>	<b>1,026,450,222</b>
Add/(deduct):			
Unrecorded depreciation/amortization	3,002,950	1,232,000	4,234,950
Overbooking due to adjustment of related accounts and reclassification to/(from) BPPFE, other assets and expense	(3,972,691)	(13,810,507)	(17,783,198)
	<b>(969,741)</b>	<b>(12,578,507)</b>	<b>(13,548,248)</b>
<b>Depreciation/amortization, 31 December 2020, as restated</b>	<b>946,717,518</b>	<b>66,184,456</b>	<b>1,012,901,974</b>

### 37. NET INCOME FOR DISTRIBUTION

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

	2021	2020 (as restated)
<b>Net income for distribution</b>	<b>34,721,319,079</b>	<b>31,224,931,782</b>

In accordance with PAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", the Net Income for CY 2020 was restated as shown in Note 31(b). The details of restated prior period adjustments on income and expenses are presented in the Statement of Changes in Equity.

### 38. TRUST FUNDS

Organizational Unit	Note	2021	2020
CoSS (Trust Fund Accounting System)	a	28,248,685,151	28,249,242,811
DLC - Accounting	b	2,751,420,911	2,706,184,694
FM - Domestic	c	1,923,377,257	1,907,412,441
FSS Operations Support Department	d	136,650,489	136,650,489
<b>Total</b>		<b>33,060,133,808</b>	<b>32,999,490,435</b>

a. This consists of BSP self-insurance funds established for retirement benefits under RA No. 1616, shipment of currency and additional fidelity insurance

bond for accountabilities in excess of PHP100.000 million, which are maintained under the Trust Fund Accounting System.

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

c. This pertains to Keppel Monte fund created to implement the rehabilitation of Monte de Piedad Savings Bank.

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

### 39. CASH AND CASH EQUIVALENTS

	Note	2021	2020
<b>Foreign currency assets</b>			
Foreign investments - readily convertible to cash		2,416,169,315,423	2,448,981,141,183
Deposits with foreign banks		412,973,263,949	784,145,838,468
Other cash balances (foreign currency on hand)		108,674,762	106,326,870
Other FX receivable - due from FX banks - special account		27,072,084	25,507,866
Non-IR foreign currency on hand	a	9,784,043	31,706,140
		2,829,288,110,261	3,233,290,520,527
<b>Local currency assets</b>			
Government securities		1,454,829,978,063	1,367,495,435,603
Other receivables - due from local banks		519,377,513	480,395,455
Other receivables - revolving fund		256,213,048	261,118,160
Miscellaneous assets - checks and other cash items		(2,609,050)	(2,591,551)
		1,455,602,959,574	1,368,234,357,667
<b>Demand liabilities</b>			
Deposit of banks and other financial institutions		(2,892,817,513,530)	(2,924,097,235,381)
Government demand deposits		(731,357,228,051)	(487,316,315,047)
		(3,624,174,741,581)	(3,411,413,550,428)
<b>Cash and cash equivalents, 31 December</b>		<b>660,716,328,254</b>	<b>1,190,111,327,766</b>

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

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

	2021	2020 (as restated)
<b>Reported operating surplus</b>	34,721,319,079	31,224,931,782
<b>Operating cash flows from changes in asset and liability balances</b>	(846,613,133,040)	140,864,716,958
<b>Add/(deduct) non-cash items</b>		
Provision for capital reserve for BSP Complex – NCC Project	25,272,401,000	0
Provision for probable loss	3,757,226,318	34,618,705
Depreciation/amortization	1,006,186,637	1,012,901,974
Recovery from provision for market decline	12,831,875	(5,317,008)
Income tax expense	(179,415,279)	67,100,004
Provision for impairment loss	(11,442,745)	(45,070,444)
Amortization of discount/premium on bills payable	(10,185,456)	(130,235,637)
Amortization of discount/premium on bonds payable	(3,990,952)	5,716,745
	29,843,611,398	939,714,339



	2021	2020 (as restated)
<b>Add/(deduct) movements in other working capital items:</b>		
Increase in interest payable	1,627,181,128	437,939,990
Increase in miscellaneous liabilities	1,567,975,592	975,007,490
Increase in interest receivable	(1,873,724,230)	(9,533,029,671)
Increase in accounts receivable	(704,316,948)	(310,620,052)
	617,115,542	(8,430,702,243)
<b>Add/(deduct) investing and financing activities</b>		
Net realized (gain)/loss on FX rates fluctuation	(3,258,202,757)	5,778,930,756
<b>Net cash (used in)/provided by operating activities</b>	<b>(784,689,289,778)</b>	<b>170,377,591,592</b>

## 41. TAXES

### 41.1 Income taxes

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

	2021		2020	
	Amount	Per cent	Amount	Per cent
Provision for income tax computed at the statutory income tax rate, before adjustments	8,598,918,345		8,741,687,002	
Add/(deduct):				
Restatements to financial statements computed at statutory rate	36,557,605		(136,378,261)	
Provision for income tax computed at the statutory income tax rate, as restated	8,635,475,950	25.00	8,605,308,741	27.50
Additions to/(reductions in) income tax resulting from the tax effects of:				
Expenses directly attributable to tax-exempt income	19,430,217,073	56.25	16,469,047,837	52.63
Expenses allocated to tax-exempt income	6,449,121,741	18.67	5,051,097,773	16.14
Provision for BSP Complex – NCC Project	6,318,100,250	18.29	0	0.00
Non-deductible national taxes	912,672,288	2.64	0	0.00
Provision for unused leave credits	530,913,518	1.54	106,090,160	0.34
PICCI income and expenses	31,830,262	0.09	33,536,619	0.11
Provision for allowance for doubtful accounts	4,361,375	0.01	7,772,542	0.02
Income exempt from income tax	(42,040,193,100)	(121.71)	(31,043,118,060)	(99.20)
Actual leave credits paid	(101,558,823)	(0.29)	(45,139,656)	(0.14)
Prior year reversal of allowance for doubtful accounts	(662,586)	(0.00)	(2,015,802)	(0.01)
Written-off accounts	(53,347)	0.00	(2,475)	0.00
Provision for Reserve for Currency Insurance Fund	0	0.00	879,842,998	2.81
	(8,465,251,349)	(24.51)	(8,542,888,064)	(27.30)
<b>Actual provision for corporate income tax</b>	<b>170,224,601</b>	<b>0.49</b>	<b>62,420,677</b>	<b>0.20</b>

Under RMC No. 50-2021, the regular corporate income tax rate (RCIT) of domestic corporations, in general shall be twenty-five percent (25.00%) effective 01 July 2020 pursuant to RA No. 11354 or also known as the "Corporate Recovery and Tax Incentives for Enterprises Act" (CREATE). For the transition taxable year ending 31 December 2020, the RCIT shall be twenty-seven and a half percent (27.50%) under RMC No. 50-2021. Also presented above is the numerical reconciliation between the average effective tax rate, and the applicable tax rate of 27.50% for 2020 and 25.00% for 2021. The average effective tax rate, which is computed by dividing the tax expense (benefit) by the net

financial income/(loss), explains the relationship between the tax expense (benefit) and the net financial income/(loss).

## 41.2 Deferred income taxes

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

	2021	2020
DTA		
Allowance for doubtful accounts	421,300,680	459,420,762
Unused leave credits	1,205,343,621	853,587,819
Tax overpayments	10,541,345,342	10,597,109,082
PICCI unused tax credit (for consolidation purposes)	127,631,099	76,037,011
<b>Total deferred income tax assets</b>	<b>12,295,620,742</b>	<b>11,986,154,674</b>

Movement in DTA account is summarized as follows:

	2021	2020
Net balance at the beginning of the year, before adjustments	11,986,154,674	12,109,488,836
Add/(deduct):		
PICCI unused tax credits (for consolidation purposes)	51,594,087	63,881,147
Temporary differences charged to income tax expense	313,635,721	(46,595,578)
Tax overpayments utilized to pay tax due	(55,763,740)	(140,619,731)
	309,466,068	(123,334,162)
<b>Net balance at the end of the year</b>	<b>12,295,620,742</b>	<b>11,986,154,674</b>

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

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

	2021	2020
Net provision for unused leave credits	351,755,802	(11,107,435)
Net provision for allowance for doubtful accounts	(36,178,097)	(31,439,376)
Net provision for uncollectible rentals	(1,941,984)	(4,048,767)
<b>Temporary differences charged to income tax expense</b>	<b>313,635,721</b>	<b>(46,595,578)</b>

PAS 12 provides that DTA shall be recognized for the carry forward of unused tax losses to the extent that it is probable that the future taxable profit will be available against which the unused tax losses can be utilized. In this regard, unrealized losses on the marked-to-market valuation of domestic securities booked directly to equity under the account "Unrealized Losses on Investments in Government Securities" are not considered as DTA components as the future taxable profit may not be sufficient to absorb these deductible temporary differences. The marked-to-market valuation of domestic securities resulted to a net unrealized gain in 2020 and net unrealized loss for 2021.

RIR account amounting to PHP617.315 billion is not included as a DTA component pursuant to Section 45 of RA No. 7653, as amended by RA No. 11211, which states that

“profits or losses arising from any revaluation of the Bangko Sentral's assets, liabilities or derivative instruments denominated in foreign currencies with respect to the movements of prices and exchange rates from third currencies to PHP shall not be included in the computation of the annual profits and losses of the Bangko Sentral.”

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

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year 2021.

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 PHP0.052 billion based on the rental of owned/acquired properties, sale of printing and other services, and other income from proprietary activities reflected in the Miscellaneous Income account of PHP0.438 billion.

b. The BSP's income derived from its exercise of governmental functions are exempt from VAT, as provided under RMC Nos. 65-2008 and 14-2020.

c. Input VAT claimed during the year amounted to PHP0.042 million recognized from local purchases of various goods and services.

d. All other taxes, local and national included in the Taxes and Licenses account under Operating Expenses in the Income Statement, excluding taxes and licenses paid by the PICCI, are as follows:

	2021	2020 (as restated)
<b>Local taxes</b>		
Real estate tax	227,309,422	78,166,073
Taxes and licenses related to acquired assets	21,272,802	31,805,030
Others (registration fees, licenses, permits)	1,826,654	1,710,105
<b>Total</b>	<b>250,408,878</b>	<b>111,681,208</b>
<b>National taxes</b>		
Capital gains tax related to acquired assets	356,783	(543,375)
<b>Total</b>	<b>356,783</b>	<b>(543,375)</b>
<b>Compromise settlement of tax assessments</b>		
Income tax	2,017,633,053	0
FWT	201,212,326	0
Final withholding of VAT	579,556,735	0
Final withholding of percentage tax	1,089,037,018	0
Expanded withholding tax	342,806,755	0
VAT	132,364,426	0
<b>Total</b>	<b>4,362,610,313</b>	<b>0</b>

	Balance, 31 December 2020 before adjustments	Adjustments	Balance, 31 December 2020 as restated
<b>Local Taxes</b>			
<b>Taxes and licenses related to acquired assets</b>	<b>34,379,205</b>	<b>(2,574,175)</b>	<b>31,805,030</b>
<b>Transfer Tax</b>			
- Capitalization of expenses to investment property		(1,991,974)	

	<b>Balance, 31 December 2020 before adjustments</b>	<b>Adjustments</b>	<b>Balance, 31 December 2020 as restated</b>
<b>Realty Taxes</b>			
- Capitalization of expenses to investment property		(1,177,036)	
- Buyer's share in property expenses		(185,784)	
- Adjustment on sale/application of payment of acquired assets		(5,255)	
- Excess payment of real property tax		(112)	
- Expenses incurred in 2020 but paid in 2021		775,218	
<b>Registration and License Fees</b>			
- Capitalization of expenses to investment property		(1,950)	
- Expenses incurred in 2020 but paid in 2021		12,718	
<b>National Taxes</b>			
Capital Gains tax related to acquired assets	<b>4,557,962</b>	<b>(5,101,337)</b>	<b>(543,375)</b>
- Capitalization of expenses to investment property		(5,101,337)	

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

	<b>2021</b>	<b>2020</b>
FWT on income	12,382,837,580	9,525,719,385
Withholding tax on compensation and benefits	3,931,119,000	2,440,312,846
Expanded withholding tax	101,251,514	87,182,099*
VAT and other percentage tax withheld	271,362,518	1,008,670,302
Excise tax collected	43,528,792	71,533,412
<b>Total</b>	<b>16,730,099,404</b>	<b>13,133,418,044</b>

\* Corrected the amount due to typo-error committed in April 2020

f. As of 31 December 2021, the applications for compromise for the settlement of the alleged deficiency tax liabilities of the BSP covering taxable years 2018 and 2019 were already settled at PHP2.563 billion for 2018 and PHP1.800 billion for 2019.