



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 313
Series of 2001

Pursuant to Monetary Board Resolution No. 1871 dated 22 November 2001, the provisions of the Manual of Regulations for Banks and Non-Bank Financial Institutions are hereby amended as follows:

Section 1. Subsections X302.1 and 4302Q.1 of the Manual of Regulations are hereby amended to read as follows:

Allowance for Probable Losses; booking

- a. Specific allowance for probable losses for classified loans and other risk assets as required in the guidelines shall be set up immediately.
- b. A general provision for loan losses shall also be set up as follows:
 1. FIVE PERCENT (5%) OF THE OUTSTANDING BALANCE OF UNCLASSIFIED RESTRUCTURED LOANS LESS THE OUTSTANDING BALANCE OF RESTRUCTURED LOANS WHICH ARE CONSIDERED NON-RISK UNDER EXISTING LAWS/RULES/REGULATIONS;
 2. ONE PERCENT (1%) of the outstanding balance of unclassified loans other than restructured loans less loans which are considered non-risk under existing laws/rules/regulations.
- c. THE EXCESS OF THE BOOKED GENERAL LOAN LOSS PROVISIONS OVER THE AMOUNT REQUIRED AS A RESULT OF THE REDUCTION OF THE AMOUNT REQUIRED TO BE SET UP TO 1% SHALL FIRST BE APPLIED TO UNBOOKED SPECIFIC VALUATION RESERVES, WHETHER AUTHORIZED TO BE BOOKED ON A STAGGERED BASIS OR NOT AND ONLY THE REMAINDER CAN BE CONSIDERED AS INCOME.



MAG-IMPOK SA BANGKO

- d. The general loan loss provision shall be computed as follows:

For Loans Not Restructured

Gross Loan Portfolio (Excluding Restructured Loans)		P XXX
Less: Classified Loans (based on latest BSP examination)		
Loans especially mentioned	P XXX	
Substandard		
Secured	XXX	
Unsecured	XXX	
Doubtful	XXX	
Loss	<u>XXX</u>	<u>XXX</u>
Unclassified Loans		P XXX
Less: Loans considered non-risk under existing regulations		<u>XXX</u>
Loan Portfolio, net of exclusions		P XXX
General Loan Loss Provision (1% of net loan portfolio)		P <u>XXX</u>

For Restructured Loans

Restructured Loans (Gross)		P XXX
Less: Classified Loans (based on latest BSP examination)		
Loans especially mentioned	P XXX	
Substandard		
Secured	XXX	
Unsecured	XXX	
Doubtful	XXX	
Loss	<u>XXX</u>	<u>XXX</u>
Unclassified Restructured Loans		P XXX
Less: Loans considered non-risk under existing regulations		<u>XXX</u>
Restructured Loans, net of exclusions		P XXX
General Loan Loss Provision (5% of net restructured loans)		P <u>XXX</u>

Section 2. Item III of Appendix 18 and item 3 of Appendix Q-10 of the Manual of Regulations are hereby amended to read as follows:

***Allowance for probable losses.** An allowance for probable losses on the loan accounts and other risk assets should be set-up as follows:

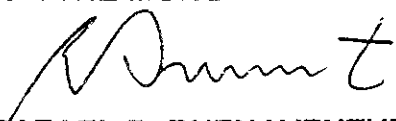
Classification	Allowances
1. Unclassified	0%
2. Loans especially mentioned	5%
3. Substandard	
Secured	10%
Unsecured	25%
4. Doubtful	50%
5. Loss	100%

The allowance for probable losses shall be adjusted accordingly for additional allowance required by the BSP: PROVIDED, THAT IN CASES OF PARTIALLY SECURED LOANS, ONLY 10% ALLOWANCE SHALL BE REQUIRED FOR THE PORTION THEREOF WHICH ARE COVERED BY THE APPRAISED VALUE OF THE COLLATERAL: PROVIDED FURTHER, THAT SAID COLLATERAL IS RE-APPRAISED AT LEAST ANNUALLY.

Management is, however, encouraged to provide additional allowance as it deems prudent and to formulate additional specific guidelines within the context of the herein described system.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:


RAFAEL B. BUENAVENTURA
Governor

Dec. 27 2001