



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

Circular No. 607

Series of 2008

Subject: Reportorial Requirements on Microfinance Loans of Banks

The Monetary Board in its Resolution No. 440 dated 10 April 2008 approved the amendments to the reportorial requirements on the microfinance loans of banks issued under Circular Letter dated 2 October 2002.

All banks engaged in retail microfinance operations shall be required to submit the Report on Microfinance Loans on a monthly basis and the Income Statement on Microfinance Operations on a quarterly basis. Both reports (Annex A) shall be submitted within 15 banking days after the end of the reference month and quarter, respectively. Specific guidelines on the modes/manner of submission of both reports shall be covered by a separate issuance.

The said reportorial requirements on microfinance shall become effective starting with the reporting period ending 30 June 2008 and shall be classified as Category A-2 reports.

This Circular supersedes Circular Letter dated 2 October 2002. It shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD

AMANDO M. TETANGCO, JR.

Governor

30 April 2008

PANANALAPING MATATAG, BANSANG PANATAG

ANNEX A
Category A-2

DEADLINE : 15 banking days after
end of reference
Month/Quarter

SUBMISSION : Original copy to
Supervisory Data Center

FOR ALL BANKS ENGAGED IN RETAIL MICROFINANCE OPERATIONS

(Name of Bank)		(Code)
(Address)		

**Monthly Report on Microfinance Loans Outstanding
and Quarterly Income Statement
on Microfinance Operations**

As of/For the Quarter Ended _____ (Month/Quarter-End)
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REPUBLIC OF THE PHILIPPINES)
_____) S.S.

I solemnly swear that all matters set forth in this report are true and correct, to the best of my knowledge and belief.

(Signature of President/Manager
and Head, MF Operations or
alternate duly designated by the
board of directors)

SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of
_____, 20____, affiant exhibiting to me his Community Tax
Certificate No. _____ issued at _____ on
_____ 20____.

Notary Public
Until December 31, 20____
PTR No. _____
Place _____

Doc. No. _____
Page No. _____
Book No. _____
Series of _____

NAME OF BANK
ADDRESS

REPORT ON MICROFINANCE LOANS OUTSTANDING

As of _____

Particulars	No. of Borrowers	No. of Accounts	Amount
A. Classified as to Type of Client			
1. Farmers - Peasants			
2. Artisanal Fisherfolk			
3. Workers in the Formal Sector			
4. Migrant Workers			
5. Workers in the Informal Sector			
6. Barangay MicroBusiness Enterprises (BMBEs)			
7. Others (e.g. Cultural Minorities, Senior Citizens, etc.)		0	0.00
Total		0	0.00
B. Classified as to Purpose			
1. Microenterprises and small businesses			
2. Micro-Agri Loan			
3. Micro-Housing			
4. Others			
Total			
C. Classified as to Interest Rate (Per Annum)			
1. 20% and below			
2. Over 20% to 25%			
3. Over 25% to 30%			
4. Over 30% to 40%			
5. Over 40% to 50%			
6. Over 50%			
Total		0	0.00
D. Classified as to Size of Loans			
1. Up to P3,000			
2. P3,001 to P5,000			
3. P5,001 to P10,000			
4. P10,001 to P20,000			
5. P20,001 to P50,000			
6. P50,001 to P100,000			
7. P100,001 to P150,000			
8. P150,000 to P300,000			
Total		0	0.00
E. Classified as to Security			
1. Secured			
2. Unsecured			
Total		0	0.00
F. Classified as to Terms of Loans			
1. 3 Months or Less			
2. Over 3 Months to 6 Months			
3. Over 6 Months to 12 Months			
4. Over 12 months			
Total		0	0.00
G. Repayment Schedules			
1. Daily			
2. Weekly			
3. Semi-monthly			
4. Monthly			
5. Others (Pls. Specify)		0	0.00
Total		0	0.00
H. Aging of Accounts			
1. Current			
2. Past Due/Portfolio at Risk (PAR)		0	0.00
a. 1 to 30 Days			
b. 31 to 60 Days and/or Loans Restructured Once			
c. 61 to 90 Days			
d. over 90 days and/or Loans Restructured More than Once			

NAME OF BANK
ADDRESS

REPORT ON MICROFINANCE LOANS OUTSTANDING

As of _____

Particulars	No. of Borrowers	No. of Accounts	Amount
I. Loan Releases			
1. New Clients			
2. Repeat Loans			
Additional Information			
1. Funds Generated			
1. Deposit Component (a+b)		0	0.00
a. Beginning Balance			
b. During the Month			
2. Borrowings		0	0.00
a. Bangko Sentral ng Pilipinas			
b. Land Bank of the Philippines			
c. Peoples Credit Financing Corporation			
d. Development Bank of the Philippines			
e. Phil. Business for Social Progress			
f. National Livelihood Support Fund			
g. Other Government Institutions			
h. Private Financial Institutions			
i. Others (Pls. Specify)		0	0.00
3. Grants/Donations			

NAME OF BANK

ADDRESS

INCOME STATEMENT
MICROFINANCE OPERATIONS
For the Quarter Ended _____

PARTICULARS		AMOUNT
INTEREST INCOME		
a. Microfinance loans		
(1) Current		
(2) Past due/Portfolio-at-risk		
(3) Items in-litigation		
b. Due from other banks		
c. Others		
INTEREST EXPENSE		
a. Deposits		
b. Bills payable		
NET INTEREST INCOME		
NON-INTEREST INCOME		
a. Fees and commissions		
b. Other income		
NON-INTEREST EXPENSE		
a. Compensation/Fringe Benefits		
b. Depreciation/Amortization		
c. Provision for credit losses		
d. Other expenses:		
(1) Rent		
(2) Power, light and water		
(3) Fuel and lubricants		
(4) Others		
NET PROFIT OR LOSS		

Number of field staff: _____

Number of other banking offices: _____

DEFINITION OF TERMS AND PERTINENT INCOME STATEMENT ACCOUNTS AND LINE ITEM INSTRUCTIONS

I. Definition of Terms

- A. **Microfinance Loans** - This refers to the amortized cost (i.e. gross of allowance for credit losses) of small loans granted to the basic sectors, as defined in the Social Reform and Poverty Alleviation Act of 1997 (Republic Act 8425), and other loans granted to the poor and low-income households for their microenterprises and small businesses so as to enable them to raise their income levels and improve their living standards. These loans also include the Housing Microfinance Product offered by banks accredited by the Housing and Urban Development Coordinating Council (HUDCC) and the Micro-Agri Loan Product of the Rural Bankers Association of the Philippines-Microenterprise Access to Banking Services. Sub-accounts shall be provided for lending to Housing Microfinance Product, Micro-Agri and Barangay Micro Business Enterprises.
- B. **Microfinance Loans – Past due/Portfolio-at-risk (PAR)** – This represents the outstanding principal amount of all loans that have at least one installment past due for one or more days. The amount includes the unpaid principal balance but excludes accrued interest. Under PAR, loans are considered past due if a payment has fallen due and remain unpaid. Loan payments are applied first to any interest due, then to any installment of principal that is due but unpaid, beginning with the earliest installment. The number of days of lateness is based on the due date of the earliest loan installment that has not been fully paid.
- Past due/PAR microfinance loans are considered non-performing loans.
- C. **Migrant Workers** – This refers to a person who is to be engaged, is engaged or has been engaged in a remunerated activity in a state of which he or she is not a legal resident to be used interchangeably with overseas Filipino worker, as defined under R.A. No. 8042.
- D. **Barangay MicroBusiness Enterprise** – This refers to any business entity or enterprise engaged in the production, processing or manufacturing of products or commodities, including agro-processing, trading and services, whose total assets including those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, shall not be more than Three Million Pesos (P3,000,000.00), as defined under Section 3 of R.A. 9178.

- E. **Cultural Minorities** – This refers to a group of people or homogenous societies identified by self-ascription and ascription of others who have, continuously lived as organized community on communally bounded and defined territory, and who have, under claims of ownership since time immemorial, occupied, possessed customs, tradition and other distinctive cultural traits, or who have, through resistance to political, social and cultural inroads of colonization, non-indigenous religions and culture, became historically differentiated from the majority of Filipinos. This shall likewise include peoples who are regarded as indigenous on account of their descent from the populations which inhabited the country, at the time of conquest or colonization, or at the time of inroads of non-indigenous religions and cultures, or the establishment of present state boundaries, who retain some or all of their own social, economic, cultural and political institutions, but who may have been displaced from their traditional domains or who may have resettled outside their ancestral domains, as defined under Section 3H of R.A. 8371.
- F. **Field Staff** – This refers to a bank employee or employees who deal directly with microfinance clients. Field staffs are also known as microfinance loans officers/assistants, account officers, technical officers/assistants, project coordinators, and community development officers/assistants.
- G. **Other Banking Office** – This refers to a field office other than a branch which serves as a base for microfinance operations. However, such field office shall neither accept deposits nor service withdrawals.

II. Income Statement Accounts

- A. **Interest Income** – This refers to interest earned and/or actually collected, which shall be comprised of the following sub-accounts:
- (1) **Interest Income – Microfinance Loans – Current** – This refers to interest earned and/or actually collected from microfinance loans classified as current, that is, microfinance loans with no missed payment/installment.
 - (2) **Interest Income – Microfinance Loans – Past Due/Portfolio-At-Risk** – This refers to interest earned and/or actually collected from microfinance loans classified as past due/portfolio-at-risk.
 - (3) **Interest Income – Microfinance Loans – Items in Litigation** – This refers to interest earned and/or actually collected from microfinance loans subject to litigation.
 - (4) **Interest Income – Due from Other Banks** – This refers to interest income earned and/or actually collected from bank's deposits maintained in other banks exclusively used for its microfinance operations.

- (5) **Interest Income – Others** – This refers to interest earned and/or actually collected from other financial assets held in respect of the bank's microfinance operations, which cannot be appropriately classified under item nos. (1) to (4).
- B. **Interest Expense** – This refers to payments and/or monthly accruals of interest on the following financial liabilities.
- (1) **Interest Expense – Deposits** – This refers to payments and/or monthly accruals of interest on deposit accounts maintained by microfinance clients regardless of whether they have outstanding microfinance loans or not.
- (2) **Interest Expense – Bills Payable** - This refers to payments and/or monthly accruals of interest on the outstanding obligations of the bank with various microfinance fund providers such as Peoples' Credit and Finance Corp., Small Business Guarantee Finance Corp., National Livelihood Support Fund, Development Bank of the Philippines, etc.
- C. **Fees and Commission** – This refers to fees and commissions income from microfinance intermediation services, which do not form part of the effective interest rate of the account.
- D. **Other Income** – This refers to income which cannot be appropriately classified under items A and C.
- E. **Compensation/Fringe Benefits** – This refers to the following: (i) the gross remuneration for regular and overtime services rendered, (ii) fringe benefits granted under the bank's fringe benefit program duly approved by the Bangko Sentral, and (iii) bank's share in the Social Security System, Philhealth, Home Development Mutual Fund and other contributions of its officers and employees directly involved in microfinance operations. This also includes the allocated portion of compensation/fringe benefits of officers and employees who are involved not only in the microfinance operations but in the overall administrations of bank operations.
- F. **Depreciation/Amortization** – This refers to the monthly/periodic depreciation of bank premises, furniture, fixture and equipment and ROPA accounts and the amortization of other intangible assets that are attributable to microfinance operations. This also includes indirect depreciation/amortization expense allocated to microfinance operations.
- G. **Provision for Credit Losses** - This refers to the impairment loss on microfinance loans.
- H. **Other Expenses** - This refers to other expenses related to microfinance operations, such as rent, power, light and water, traveling

expenses, fuel and lubricants etc., which cannot be appropriately classified under items E to G. This also includes indirect costs allocated to microfinance operations.

III. Line Item Instructions

Microfinance Loans Outstanding

Classify the microfinance loans granted as to the following line items:

- A. **Type of Client**
- B. **Purpose**
- C. **Interest Rate**
- D. **Size of Loans**
- E. **Security**
- F. **Terms of Loans**
- G. **Repayment Schedules**
- H. **Aging of Accounts**
- I. **Loan Releases**

For purposes of aging of accounts, Current classification shall not include any restructured loans. Restructured loans shall be classified under the Past Due/Portfolio-at-Risk classification, as follows:

Past Due/Portfolio-at-Risk Classification	Description
<u>For microfinance loans that have been restructured once, whether current or past due:</u>	
31 – 60 days	Current restructured loans and past due restructured loans up to 60 days
61 – 90 days	Past due restructured loans for more than 60 days but not to exceed 90 days
Over 90 days	Past due restructured loans for more than 90 days
<u>For microfinance loans that have been restructured more than once, whether current or past due:</u>	
Over 90 days	Current restructured loans and past due restructured loans, regardless of the number of days past due.

In all of the above cases (Items A to H), report in the appropriate column the following:

- (1) **Number of Borrowers** – Report the number of borrowers with outstanding microfinance loans. A borrower may have one or more loan accounts at the same time.
- (2) **Number of Accounts** – Report the number of microfinance loan products availed by a borrower. Loan products are usually classified according to purpose such as for additional working capital for microenterprises, for agriculture and other agribusinesses and housing needs of microentrepreneurs.
- (3) **Amount** – Report the amortized cost (i.e. gross of allowance for credit losses) of microfinance loans.

Additional Information

1. Funds Generated

Report the number of accounts and the outstanding balance of funds generated for microfinance operations in the appropriate columns provided for the sources of funds. The number of accounts for the deposit component line item shall refer to the number of depositors. A depositor with several accounts shall be counted as one.

Income Statement for Microfinance Operations

The income statement for microfinance operations shall be prepared on a cumulative basis, i.e. first quarter report shall cover results of operations during the first quarter, second quarter report shall cover results of operations during the first and second quarters, etc.

In accomplishing the Income Statement, report in the appropriate column the amount of income or expense as the case may be corresponding to the following:

A. Interest income

- a. Microfinance loans
 - (1) Current
 - (2) Past due/Portfolio-at-risk
 - (3) Items in-litigation
- b. Due from other banks
- c. Others

B. Interest expense

- a. Deposits
- b. Bills payable

C. Non-Interest income

- a. Fees and commissions
- b. Other income

D. Non-interest expense

- a. Compensation/fringe benefits
- b. Depreciation/amortization
- c. Provision for credit losses

The allowance for credit losses on microfinance loans should be the higher of the PFRS/PAS provisioning requirements or the BSP recommended valuation reserves, as indicated below.

Classification	Allowance for Credit losses (in %)
Current	1
Past due//PAR:	
1 – 30 days	2
31 – 60 days	20
61 – 90 days	50
91 or more days	100

- d. Other expenses:
 - (1) Rent
 - (2) Power, light and water
 - (3) Traveling expenses
 - (4) Fuel and lubricants
 - (5) Others

For this purpose, **Indirect Costs**¹ shall be allocated in proportion to the number of personnel directly dedicated to each cost center or office/unit solely engaged in microfinance operations as follows:

$$\text{Indirect costs} = (\text{Number of Full-time MF staff} \div \text{Total Number of Full-time Staff}) \times \text{Total Indirect Costs}$$

where **Full-time MF staff**¹ refers to employees working full-time in the microfinance operations regardless of employment status, i.e. contractual or regular.

¹ Based on Performance Standards for All Types of Microfinance Institutions in the Philippines