

**[ CIRCULAR NO. 313, S. 2001, December 27, 2001 ]**

**PROVISIONS ON LOAN LOSSES**

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.

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

For Loans Not Restructured

Gross Loan Portfolio (Excluding

Restructured Loans) PXXX

Less: Classified Loans (based on

latest BSP examination)

Loans especially mentioned PXXX

Substandard

Secured XXX