

[BSP CIRCULAR NO. 164, April 13, 1998]

PROVISION/ALLOWANCE FOR PROBABLE LOAN LOSSES

Pursuant to Monetary Board Resolution No. 509 dated April 1, 1998, the provisions of the Manual Regulations for Banks and Other Financial Intermediaries (Books I to IV) are hereby amended as follows:

SECTION 1. The first paragraph of Subsecs. __306.5 (Books I to III) and 4605Q.5 (Book IV) regarding allowance for probable losses is hereby amended so as to provide for 5% allowance for "Loans Specially Mentioned", regardless of collateral and 25% allowance for secured loans classified as "Substandard", as follows:

Allowance for probable losses. An allowance for probable losses on loan accounts and other risk assets should be set up in accordance with the following:

Classification	Allowance
a. Unclassified	0%
b. Loans specially mentioned	5%
c. Substandard	25%
d. Doubtful	50%
e. Loss	100%

SECTION 2. Subsecs. __306.6 (Books I to III) and 4306Q.6 (Book IV) are hereby amended to read as follows:

Transitory provision. The two percent (2%) general provision for probable loan losses shall be fully set up within two (2) years, as follows:

1% by 1 October 1998;
1½% by 1 April 1999; and
2% by 1 October 1999

THE TWENTY FIVE PERCENT (25%) AND THE FIVE PERCENT (5%) ALLOWANCE FOR PROBABLE LOSSES ON SECURED LOANS CLASSIFIED AS "SUBSTANDARD" AND "LOANS ESPECIALLY MENTIONED", RESPECTIVELY SHALL BE FULLY SET-UP, AS FOLLOWS:

BY

	12/13/98	4/15/99
SECURED LOANS CLASSIFIED AS "SUBSTANDARD"	12.5%	25%
LOANS ESPECIALLY	2.5%	5%