



**BANGKO SENTRAL NG PILIPINAS**

**OFFICE OF THE GOVERNOR**

**CIRCULAR NO. 772  
Series of 2012**

**Subject: Amendments to Regulations on Non-Performing Loans**

The Monetary Board in its Resolution No. 1395 dated 23 August 2012 approved the following amendments to the regulations on non-performing loans in the Manual of Regulations for Banks (MORB).

**Section 1.** Subsection X309.1 of the MORB on accounts considered non-performing; definitions, is hereby amended, as follows:

***“Subsection X309.1 Accounts considered non-performing; definitions***

**“THE FOLLOWING ACCOUNTS SHALL COMPRISE A BANK’S GROSS NON-PERFORMING LOANS (NPLs):**

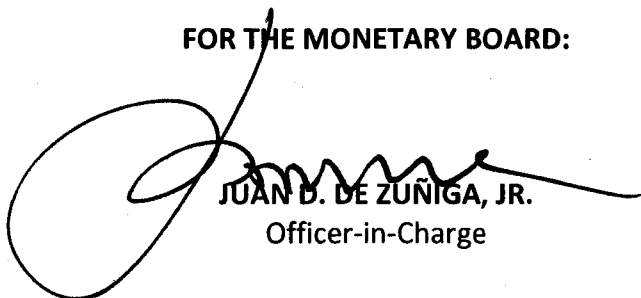
- “a.** NPLs shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for thirty (30) days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing.
- “b.** In the case of loans payable in monthly installments, the total outstanding balance thereof shall be considered non-performing when three (3) or more installments are in arrears.
- “c.** In the case of loans payable in daily, weekly or semi-monthly installments, the total outstanding balance thereof shall be considered non-performing at the same time that they become past due in accordance with Sec. X306, i.e., the entire outstanding balance of the loan/receivable shall be considered as past due when the total amount of arrearages reaches ten percent (10%) of the total loan/receivable balance.
- “d.** Restructured loans shall be considered non-performing in accordance with Subsec. X322.1.
- “e.** All items in litigation as defined in the Manual of Accounts for Banks shall be considered non-performing.
- “f.** In the case of microfinance loans, past due/portfolio-at-risk (PAR) accounts as defined in Subsec. X361.1(b) shall be considered NPL.

"AS A COMPLEMENTARY MEASURE TO COMPUTING GROSS NPLs, BANKS SHALL, LIKEWISE, COMPUTE THEIR NET NPLs, WHICH SHALL REFER TO GROSS NPLs LESS SPECIFIC ALLOWANCE FOR CREDIT LOSSES ON THE TOTAL LOAN PORTFOLIO: *PROVIDED*, THAT SUCH SPECIFIC ALLOWANCE FOR CREDIT LOSSES ON THE TOTAL LOAN PORTFOLIO SHALL NOT BE DEDUCTED FROM THE TOTAL LOAN PORTFOLIO FOR PURPOSES OF COMPUTING THE NET NPL RATIO."

**Section 2.** Subsection X309.4 of the MORB on the reporting requirement is hereby deleted.

This Circular shall take effect on 01 January 2013.

**FOR THE MONETARY BOARD:**



JUAN D. DE ZUÑIGA, JR.  
Officer-in-Charge

16 October 2012