Navigating COVID-19 Recovery: How to Manage Non-Performing Loans Amid Policy Normalization

ADB/ECB NPL Book Launch Webinar
Nonperforming Loans in Asia and Europe – Causes, Impact and Resolution Strategies

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NPL ratio of banks projected to remain within single-digit levels

Philippine Banking System
Non-Performing Loan (NPL) Ratio
In percent

Source: BSP
p/ preliminary data
Structural and Regulatory Reforms support NPL Resolution

**2020-2021: Crisis**

**Government Support Measures**
- Bayanihan to Heal as One Act (2020)
- Bayanihan to Recover as One Act (2020)
- BSP Relief Measures (2020-2021)

**Supervisory Considerations**
- Prudential Treatment
- Surveillance and Analytics

**2022-2023: Recovery**

**Regulatory Treatment of Loan Loss Modifications (2022)**

**Temporary Twin Relief Measures**
- Capital Relief on Provisioning Requirements (2022 to 2023)

**Surveillance and Analytics**

Financial Institutions Strategic Transfer (FIST) Act (February 2021 to 2023)

Pre-Pandemic Regulatory Framework

Credit Risk Management

IFRS 9

Enforcement Framework
Important considerations for effective management of NPLs

01 Macroeconomic conditions, including evolving risk from the COVID-19 variants

02 Smooth transition between temporary relief measures and eventual phase-out

03 Amendments to surveillance analytics and models to consider COVID-19 dynamics

04 Consistent application of prudential expectations by supervisors and supervised institutions