sheet remains solid with more than sufficient provisions and a strong capital base," BDO said in an e-mail to *BusinessWorld*.

UnionBank of the Philippines, Inc. welcomes the measure as an option for banks in a worst case scenario, but appears to not be keen to avail of its provisions.

"So far, no interest on selling NPAs because our NPAs are manageable and mostly houses/ condominiums. NPLs have gone up, but mostly in mortgages and these will be restructured," Jose Emmanuel U. Hilado, Union-Bank senior executive vice-president and chief financial officer, said in an e-mail.

Likewise, East West Banking Corp. (EastWest Bank) President and Chief Executive Officer Antonio C. Moncupa, Jr. said the Bank does not see the need to offload soured assets through FIST.

"My view is that the banking industry remains resilient and that it does not have that urgency [to offload bad assets as was seen] in 1997. Personally, for EastWest, I'm not very keen on it," Mr. Moncupa said on a May 4 TV interview with ANC.

Meanwhile, the state-owned Development Bank of the Philippines (DBP) is still gauging the impact of tapping FIST to manage their NPAs.

"The bank is still in the process of conducting a study to determine if transferring the bank's NPAs to a FISTC is beneficial to the bank rather than managing/disposing it outside the FIST," DBP President and Chief Executive Officer Emmanuel G. Herbosa said in an e-mail.

Asia United Bank, for its part, recognizes the FIST law's intention to become another lifeline for banks to manage nonperforming loans as they pile up, but has yet to decide whether they will be tapping on the measure's provisions.

"We have taken a look at the program discussed its benefits. However, we do not, at this time,have a list of loans that may be sold as we have not looked atspecific accounts. Also, we have to secure board approval to allow us to get into the program," AUB President Manuel A. Gomez said in an e-mail.

The central bank expects the NPL ratio to hover a little over 5% by the end of this year. S&P Global Ratings analyst Nikita Anand said FIST, in a way, will bode well for banks as it is an assurance that they have a tool to use so that resources are not spent on recovering stressed loans.

"Success in bringing down sector-level stressed loans materially will depend on good execution as well as local banks' willingness to offload assets, instead of employing their own resolutions and recovery mechanisms," Ms. Anand said.

With the sector still armed with ample buffers, banks may find the FIST Law to be not so urgent given the economy remains in recession, said Michael Langham, Senior Asia Country Risk Analyst at Fitch Solutions.

"Banks may be reluctant to divest NPLs while the economy is still struggling with the pandemic and asset prices remain depressed," Mr. Langham said.

BACK TO CONTENTS PAGE