Annex 1

DISCLOSURE PACKAGE FOR OVERSEAS INCORPORATED AUTHORISED INSTITUTIONS

Content of Key Financial Information Disclosure Statement

The Key Financial Information Disclosure Statement should contain:

Section A - Branch Information (Hong Kong offices only)

I. Balance sheet data

Assets

(i) Cash and short term funds (except those included in item (iii))

(ii) Placement with banks and financial institutions maturing between one and twelve months (except those included in item (iii))

(iii) Amount due from overseas offices of the institution

(iv) Trade bills

(v) Certificates of deposit held

(vi) Securities held for dealing purposes

(vii) Advances and other accounts

(viii) Investment securities

(ix) Other investments

(x) Fixed assets

(xi) Total assets

Liabilities

(i) Deposits and balances of other banks and financial institutions (except those included in item (iii))

(ii) Current, fixed, savings and other deposits of customers

(iii) Amount due to overseas offices of the institution

(iv) Certificates of deposit issued

(v) Issued debt securities

(vi) Other accounts and provisions

(vii) Total liabilities

II. Additional balance sheet information

(i) Advances and other accounts

- Advances to customers
- Advances to banks and financial institutions
- Accrued interest and other accounts

(ii) Provision for bad and doubtful debts (analyse between those against advances to customers, advances to banks and financial institutions, accrued interest and other accounts if material)

- General
- Specific

There may be instances where provisions for loans and advances or other exposures have been set aside and maintained at overseas head offices. In such cases, the institution should disclose the provisioning policy of its head office and the amount of any specific provisions allocated for exposures maintained in the Hong Kong offices.

(iii) Aggregate amount of suspended interest

(iv) Aggregate amount of advances on which interest is being placed in suspense or on which interest accrual has ceased and the aggregate amount of specific provisions made in respect of such advances.

(v) Analysis of gross amount of advances to customers classified into the following industry categories:

Loans for use in Hong Kong

Industrial, commercial and financial

- Property development
- Property investment
- Financial concerns
- Stockbrokers
- Wholesale and retail trade
- Manufacturing
- Transport and transport equipment
- Others

Individuals

- Loans for the purchase of flats in the Home Ownership Scheme and Private Sector Participation Scheme
- Loans for the purchase of other residential properties
- Credit card advances

- Others

Trade finance

Loans for use outside Hong Kong

(vi) Analysis of overdue[1] advances to customers[2] , banks and other financial institutions into the following time brackets:

- six months or less but more than three months;
- one year or less but more than six months; and
- more than one year.

Both the absolute amount and the percentage of total advances should be given for each maturity bracket. The amount of gross advances above should be shown net of any interest that has been capitalised but accrued to a suspense account.

Institutions may wish to disclose the value of collateral held against the overdue loans and the amount of specific provisions made. Where an institution opts to disclose the value of collateral held, it should disclose the split of overdue advances into those which are secured and those which are unsecured and the market value if collateral held against the secured loans based on the most recent estimate. At Appendix B is an illustration recommending how an institution should make such disclosures.

(vii) The aggregate amount of rescheduled[1] advances (net of those which have been overdue for over three months and reported in item (vi) above) as at the end of the financial period. Both the absolute amount and the percentage of total advances should be given.

III. Off-balance sheet exposures

The contractual or notional amounts of each of the following class of off-balance sheet exposures outstanding:

Contingent liabilities and commitments

- Direct credit substitutes
- Transaction-related contingencies
- Trade-related contingencies
- Note issuance and revolving underwriting facilities
- Other commitments

[1] Guidance on overdue and rescheduled assets is given at Appendix A.

[2] Total advances to customers should correspond to the total of loans for use in Hong Kong, trade finance and other loans for use outside Hong Kong disclosed under the analysis to customers by industry sectors.

- Others (including forward asset purchases, amounts owing on partly paid shares and securities, forward forward deposits placed, asset sales or other transactions with recourse)

Derivatives

- Exchange rate contracts (exclude forward foreign exchange contracts arising from swap deposit arrangements)
- Interest rate contracts
- Others

IV. Liquidity

The average liquidity ratio for the financial period (i.e., 12 months for the end of the year Disclosure Statement and 6 months for the half-year Disclosure Statement) should be disclosed. The average liquidity ratio should be the simple average of each calendar month's average ratio (reported in Part I (2) of the Liquidity Position Return (MA(BS)1E) calculated for the purposes of the Banking Ordinance.

Section B - Bank Information (consolidated basis)

The information set out below should be based on the most recent consolidated accounts for the institution as a whole as at the publication date of the Disclosure Statement, i.e. either the most recent annual accounts or interim accounts, whichever is available. Where the institution is owned by a holding company and does not itself publish consolidated accounts, the corresponding consolidated information for the group of which it is a part should be disclosed. Institutions which do not publish interim accounts or publish only unconsolidated information in their interim accounts, should disclose the consolidated information in the most recent annual accounts.

I. Capital and capital adequacy

The consolidated capital adequacy ratio of the institution computed in accordance with the Basle Capital Accord or the European Community's Capital Adequacy Directive ("CAD") (whichever is applicable) as at the end of the date of the most recent annual accounts or interim accounts, whichever is available. Institutions which do not observe the Basle Capital Accord or the CAD should disclose this fact.

Institutions should disclose the aggregate amount of shareholders' funds (i.e., capital and reserves) in their most recent annual accounts or interim accounts whichever is available.

The basis used for calculating the capital adequacy ratios (including whether or not they incorporate an allowance for market risk) should be clearly stated.

II. Other financial information

Information indicating the consolidated financial position as at the date of the most recent annual or interim accounts of the institution including:

- Total assets
- Total liabilities
- Total advances
- Total customer deposits (or total deposits)[3]
- Pre-tax profit

Institutions may also wish to include a statement to refer readers to the full annual accounts or interim accounts published by the institution (or the group of which it is a part) for further details.

III. Year 2000 problem

The following information should be disclosed in respect of the Year 2000 problem. Unless otherwise indicated, the information provided should generally be based on the position of the institution as a whole. Where the corresponding information in respect of the Hong Kong branch differs from that of the institution as a whole, this fact should be disclosed together with the relevant details on the extent of any such discrepancies.

a) The institution's definition of what it understands as being Year 2000 compliant;

b) The risks and uncertainties associated with the Year 2000 problem. If the institution has not made an assessment of this problem or has not determined its materiality, that fact should be stated together with an explanation of the institution's strategy for dealing with the Year 2000 problem;

c) The institution's general plans to address the Year 2000 problem relating to its business and operations and, if material, its relationships with customers, suppliers and other relevant parties;

d) The structure of the Year 2000 compliance program in respect of the Hong Kong branch and the institution as a whole;

[3] Where total customer deposits are not separately disclosed in the annual accounts or interim accounts, the amount of total deposits (including those from banks) of the institutions may be disclosed instead. The basis of reporting should be clearly stated.

e) Details of the steps taken or planned to reduce the institution's potential exposure to the Year 2000 problem;

f) The progress of work performed to date for both the Hong Kong branch and the institution as a whole;

g) The date on which the institution expects to be Year 2000 compliant in respect of both its critical and non-critical systems;

h) Whether the total estimated costs of these plans, including amounts to be spent in future periods, have been quantified, and if so, how these costs have been accounted for. Where appropriate, an indication of total costs likely to be incurred and the percentage of these costs that has already been incurred in respect of both the Hong Kong branch and the institution as a whole should be provided; and

i) The aggregate amount of commitments authorised by the directors as at the end of the financial period in respect of Year 2000 modification costs (regardless of whether such costs will be capitalised or expensed) to the extent that this amount has not been provided for in the institution's financial statements.

It should be emphasised that the above list of disclosures in relation to the Year 2000 problem is not exhaustive. Institutions should disclose any additional information considered necessary to enable depositors and other counterparties to appraise the position of the institution as a whole.

Chief executive's declaration of compliance

The statement should include a declaration by the chief executive of the branch to certify that the information disclosed complies with the HKMA's recommendations and is not false or misleading. In cases of partial compliance, the statement should specify the areas of, and reasons for, non-compliance.

Basis of preparation

To facilitate preparation of the Disclosure Statement and as a consistency check, the figures to be disclosed should, where appropriate, be reconciled to the relevant figures in the following returns:

- Assets and Liabilities (MA(BS)1)
- Profit and Loss Account (MA(BS)1C)

- Liquidity Position (MA(BS)1E)
- Maturity Profile (MA(BS)1G)
- Loans and Advances and Provisions (MA(BS)2A)

A table mapping the key financial disclosure items with the corresponding items in the above-mentioned returns is attached at Appendix C for easy reference.

Comparative figures

The corresponding amounts for the immediately preceding financial period should be given for the above disclosures (i.e. for the year-end Disclosure Statement, the interim figures should be disclosed as comparative figures and for the interim Disclosure Statement, the preceding year-end figures). However, in relation to Bank Information under section B above where interim consolidated information is not provided by the institution as a whole, the annual figures should be provided as comparatives.

Where the recommendations are applied for the first time, and it is impractical to apply the recommendations retrospectively, the recommendations in respect of the comparatives need not apply for the first reporting period.