Appendix D

Disclosure of value of collateral held against overdue loans

The following illustrates how an institution should disclose the collateral value of its overdue loans and the split between secured and unsecured amounts.

<u>*HK$ million*</u>

Overdue loans	Outstanding loan amount	Market value of security	Secured amount	Unsecured amount
A	10	15	10	-
B	10	7	7	3
C	10	-	-	10
Total	30	22	17	13

Minimum information to be disclosed by the institution:

- Market value of security held against the secured overdue loans: HK$22 million;
- Secured overdue loans: HK$17 million; and
- Unsecured overdue loans: HK$13 million.

Where multiple loans extended to one borrower are in aggregate secured partially by the same collateral, and one of the loans has been overdue for more than 3 months, the proportion of the value of the collateral held against the overdue loan disclosed should be the same as the proportion of the value of the collateral held against the different loans in aggregate. For example, if the different loans to one borrower are in aggregate 80% secured by the same collateral, it is assumed that each of the loans, including the overdue loans, should also be 80% secured. The institution should therefore disclose as the value of the collateral held against the overdue loan 80% of the outstanding amount of the overdue loan. If, however, the market value of the collateral has fallen to below 80% of the aggregate outstanding amount of the loans, the value of the collateral held against the overdue loan should also be adjusted accordingly.