DISCLOSURE GUIDELINES FOR OVERSEAS INCORPORATED AUTHORIZED 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

- Cash and short term funds (except those included in amount due from overseas offices)
- Placements with banks and ***other*** financial institutions maturing between one and twelve months (except those included in amount due from overseas offices)
- Amount due from overseas offices of the institution
- Trade bills
- Certificates of deposit held
- Securities held for dealing purposes
- Advances and other accounts
- Investment securities
- Other investments
- Fixed assets
- Total assets

Liabilities

- Deposits and balances of banks and ***other*** financial institutions (except those included in amount due to overseas offices)
- Current, fixed, savings and other deposits of customers
- Amount due to overseas offices of the institution
- Certificates of deposit issued
- Issued debt securities

- Other accounts and provisions
- Total liabilities

II. Additional balance sheet information

(i) Advances and other accounts

- Advances to customers
- Advances to banks and ***other*** financial institutions
- Accrued interest and other accounts ***(analyse where material)***

(ii) Provision for bad and doubtful debts (analyse between those against advances to customers, advances to banks and ***other*** 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) Amount of advances ***to customers*** on which interest is being placed in suspense or on which interest accrual has ceased[1], ***the amount of such suspended interest,*** the amount of specific provisions made in respect of such advances ***and the percentage of such advances to total advances to customers. Similar information on advances to banks and other financial institutions on which interest is being placed in suspense or on which interest accrual has ceased should also be disclosed***. ***Where the specific provisions were made after taking into account the value of collateral in respect of such advances, an institution may wish to indicate this in order to put the level of provisioning in perspective.***

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

[1] Guidance on recognition of interest is at **Appendix B.**

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, Private Sector Participation Scheme ***and Tenants Purchase Scheme***
- Loans for the purchase of other residential properties
- Credit card advances
- Others

Trade finance

Loans for use outside Hong Kong

(v) Analysis of ***the gross amount of*** overdue[2] advances (to customers[3], banks and other financial institutions) into the following time brackets:

- six months or less but ***over*** three months;
- one year or less but ***over*** six months; and
- ***over*** one year.

Both the absolute amount ***of overdue advances*** and the percentage of ***such*** advances ***to total advances to customers*** should be given for each maturity bracket. ***Similar information on overdue advances to banks and other financial institutions should also be disclosed.*** 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

[2] Guidance on overdue and rescheduled loans is given at **Appendix C**.

[3] 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.

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 of collateral held against the secured loans based on the most recent estimate. At **Appendix D** is an illustration recommending how an institution should make such disclosures.

(vi) The amount of rescheduled[4] advances ***to customers*** (net of those which have been overdue for over three months and reported in item (v) above) ***and the percentage of such advances to total advances to customers***. ***Similar information on rescheduled advances to banks and other financial institutions should also be given.***

(vii) The amount of advances to customers and advances to banks and other financial institutions which:

- ***are overdue for more than three months and on which interest is still being accrued; and***
- ***are overdue for three months or less and on which interest is being placed in suspense or on which interest accrual has ceased.***

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
- 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

[4] Guidance on overdue and rescheduled loans is given at **Appendix C**.

IV. Liquidity

The average liquidity ratio for the financial period (i.e., 12 months for the end of 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)[5]
- 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.

***Statement* 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. In cases of partial compliance, the statement should specify the areas of, and reasons for, non-compliance.

Materiality

Institutions are not required to disclose items which are not material. An item should be regarded as material to an institution if the omission or misstatement of that item could have changed or influenced the judgement or decision of a user relying on the relevant information.

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)

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

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.