



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 212
Series of 1999

Pursuant to Monetary Board Resolution No. 1381 dated October 1, 1999, the following additional disclosures are hereby required from banks and NBQBs:

SECTION 1. Disclosure requirements in the notes to the audited financial statements.

Banks and NBQBs shall require their external auditors to include the following additional information in the notes to the audited financial statements:

- i. Basic quantitative indicators of financial performance such as return on average equity, return on average assets, and net interest margin (formulas shown in Annex "A");
- ii. Capital-to-risk assets ratio under Section 22 of R. A. No. 337, as amended;
- iii. Concentration of credit as to industry/economic sector where concentration is said to exist when total loan exposures to a particular industry/economic sector exceeds 30% of total loan portfolio;
- iv. Breakdown of total loans as to secured and unsecured and breakdown of secured loans as to type of security;
- v. Total outstanding loans to bank's/NBQB's directors, officers, stockholders and related interests (DOSRI), percent of DOSRI loans to total loan portfolio, percent of unsecured DOSRI loans to total DOSRI loans, percent of past due DOSRI loans to total DOSRI loans, and percent of non-performing DOSRI loans to total DOSRI loans;
- vi. Nature and amount of contingencies and commitments arising from off-balance sheet items¹;
- vii. Provisions and allowances for losses and how these are determined;

¹ Include direct credit substitutes (e.g., export LCs confirmed, underwritten accounts unsold), transaction-related contingencies (e.g., performance bonds, bid bonds, standby LCs), short-term self-liquidating trade-related contingencies arising from the movement of goods (e.g., sight/usance domestic LCs, sight/usance import LCs), sale and repurchase agreements not recognized in the balance sheet; interest and foreign exchange rate related items; and other commitments.



- viii. Aggregate amount of secured liabilities and assets pledged as security; and
- ix. Accounting Policies which shall include but shall not be limited to general accounting principles, changes in accounting policies/practices, principles of consolidation, policies and methods for determining when assets are impaired, recognizing income on impaired assets and losses on non-performing credits, income recognition, valuation policies, and accounting policies on securitizations, foreign currency translations, loan fees, premiums and discounts, repurchase agreements, premises/fixed assets, income taxes, derivatives, etc.

SECTION 2. Disclosure requirements in the annual report.

All expanded commercial banks, commercial banks, thrift banks with at least P1 billion resources and NBQBs shall prepare an annual report which shall include, in addition to the audited financial statements and other usual information contained therein, a discussion and/or analysis of the following information:

- i. Financial performance;
- ii. Financial position and changes therein;
- iii. Overall risk management philosophy², risk management system and structure;
- iv. Qualitative and quantitative information on risk exposures (credit risk, market risk, liquidity risk, operational, legal and other risks); and
- v. Basic business, management and corporate governance information such as the bank's organization structure, incentive structure including its remuneration policies, nature and extent of transactions with affiliates and related parties.

SECTION 3. Posting and submission of annual report.

A copy of the latest annual report shall be posted by the bank/NBQB in a conspicuous place in its head office, all its branches and other offices.

The deadline for the submission of the annual report to the appropriate Supervising and Examining Department of the Bangko Sentral is one hundred eighty (180) calendar days after the close of the calendar year or the fiscal year adopted by the bank/NBQB.

² A general statement of the risk management policy adopted by the bank's/NBQB's board of directors which serves as the basis for the establishment of its risk management system.

SECTION 4. Effectivity.

This Circular shall take effect with the audited financial statements and annual reports as of December 31, 1999 (for banks and NBQBs adopting calendar year) and as of the following month-ends thereafter (for banks and NBQBs adopting fiscal year).

FOR THE MONETARY BOARD:


ALBERTO V. REYES
Officer-in-Charge

20 October, 1999

Attachment.

Formulas for the Financial Performance Ratios

a. **Return on Average Equity (%)** =
$$\frac{\text{Net Income (or Loss) after income tax} \times 100}{\text{Average Total Capital Accounts}}$$

Where:

$$\text{Average Total Capital Accounts} = \frac{\text{Sum of Total Capital Accounts as of the 12 month-ends in the calendar/fiscal year adopted by the bank}}{12}$$

b. **Return on Average Assets (%)** =
$$\frac{\text{Net Income (or Loss) after income tax} \times 100}{\text{Average Total Assets}}$$

Where:

$$\text{Average Total Assets} = \frac{\text{Sum of Total Assets as of the 12 month-ends in the calendar/fiscal year adopted by the bank}}{12}$$

c. **Net Interest Margin (%)** =
$$\frac{\text{Net Interest Income} \times 100}{\text{Average Interest Earning Assets}}$$

Where:

$$\text{Net Interest Income} = \text{Total Interest Income} - \text{Total Interest Expense}$$

$$\text{Average Interest Earning Assets} = \frac{\text{Sum of Total Interest Earning Assets as of the 12 month-ends in the calendar/fiscal year adopted by the bank}}{12}$$