ORIX Asia Limited

Regulatory Disclosure Statement

For the six months ended 30 September 2019

(unaudited)

Contents

A. Introduction

Purpose

The information contained in this document is for ORIX Asia Limited ("the Company") to comply with the Banking (Disclosure) Rules.

Principal activities

The Company primarily provides lease financing and instalment loans to industrial, commercial and personal customers. It also engages in debt and equity investment activities.

The Company is registered as a restricted licence bank under the Hong Kong Banking Ordinance and is an approved seller/servicer of HKMC Insurance Limited, a wholly-subsidiary of the Hong Kong Mortgage Corporation Limited.

Basis of preparation

The Company has adopted the "basic approach" for the calculation of the risk-weighted assets for credit risk, "current exposure method" for the calculation of counterparty credit risk and "basic indicator approach" for the calculation of operational risk.

During the year ended 31 March 2019 and for the six months ended 30 September 2019, market risk arising from the Company's trading book was minimal. The Company has been granted exemption by the HKMA as it can fulfil the exemption criteria set out in sections 22(l)(a) and (b) of the Banking (Capital) Rules. Hence, the Company was exempted from the calculation of market risk.

B. Key prudential ratios

Template KM1: Key prudential ratios

The key prudential ratios and the comparative figures as at each reporting date are set out as below.

	(USD)	(a)	(b)	(c)	(d)	(e)
		30 Sep 2019	30 Jun 2019	31 Mar 2019	31 Dec 2018	30 Sep 2018
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	271,050,400	269,861,361	269,081,191	268,837,022	268,799,481
2	Tier 1	271,050,400	269,861,361	269,081,191	268,837,022	268,799,481
3	Total capital	278,800,340	277,895,279	277,488,924	277,459,661	277,747,078
	RWA (amount)					
4	Total RWA	677,785,644	690,971,962	720,362,806	739,899,656	765,851,950
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	39.9906%	39.0553%	37.3536%	36.3343%	35.0981%
6	Tier 1 ratio (%)	39.9906%	39.0553%	37.3536%	36.3343%	35.0981%
7	Total capital ratio (%)	41.1340%	40.2180%	38.5207%	37.4996%	36.2664%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	1.875%	1.875%
9	Countercyclical capital buffer requirement (%)	2.4545%	2.4514%	2.4471%	1.8310%	1.8306%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	N/A	N/A	N/A	N/A	N/A
11	Total AI-specific CET1 buffer requirements (%)	4.9545%	4.9514%	4.9471%	3.7060%	3.7056%
12	CET1 available after meeting the AI's minimum capital requirements (%)	31.6340%	30.7180%	29.0208%	27.9996%	26.7664%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	709,843,951	705,447,465	734,624,570	754,173,682	776,412,560
14	LR (%)	38.18%	38.25%	36.63%	35.65%	34.62%
	Liquidity Maintenance Ratio (LMR)- applicable to category 2 institution only:					
17a	LMR (%)	66.03%	82.32%	74.99%	53.56%	55.94%

C. Risk-Weighted Amount ("RWA")

Template OV1: Overview of RWA

The following table provides an overview of capital requirements in terms of a detailed breakdown of RWAs for various risks as at 30 September 2019 and 30 June 2019 respectively:

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30 Sep 2019 (USD)	30 Jun 2019 (USD)	30 Sep 2019 (USD)
1	Credit risk for non-securitization exposures	**629,426,275**	**642,197,569**	**50,354,102**
2	Of which STC approach	-	-	-
2a	Of which BSC approach	**629,426,275**	**642,197,569**	**50,354,102**
3	Of which foundation IRB approach	-	-	-
4	Of which supervisory slotting criteria approach	-	-	-
5	Of which advanced IRB approach	-	-	-
6	Counterparty default risk and default fund contributions	**587,328**	**515,873**	**46,986**
7	Of which SA-CCR*	-	-	-
7a	Of which CEM	**587,328**	**515,873**	**46,986**
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	**455,963**	**398,425**	**36,477**
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA	-	-	-
13	CIS exposures – MBA	-	-	-
14	CIS exposures – FBA	-	-	-
14a	CIS exposures – combination of approaches	-	-	-
15	Settlement risk	-	-	-
16	Securitization exposures in banking book	-	-	-
17	Of which SEC-IRBA	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA	-	-	-
19a	Of which SEC-FBA	-	-	-
20	Market risk			
21	Of which STM approach	-	-	-
22	Of which IMM approach	-	-	-
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)	-	-	-
24	Operational risk	**47,316,078**	**47,932,323**	**3,785,287**
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	-	**72,228**	-
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	-	**72,228**	-
26c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital	-	-	-
27	Total	**677,785,644**	**690,971,962**	**54,222,852**

D. Composition of capital

Capital adequacy ratios were calculated in accordance with the Capital Rules issued by the HKMA.

The Company does not have any subsidiary.

Template CC1: Composition of regulatory capital

		(a)	(b)
		Amount	**Source based on reference numbers of the balance sheet under the regulatory scope of consolidation**
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	32,000,000	[4]
2	Retained earnings	245,593,962	[5]
3	Disclosed reserves	61,084	[8]
4	*Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)*	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	**CET1 capital before regulatory deductions**	277,655,046	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	-	
10	Deferred tax assets (net of associated deferred tax liabilities)	605,548	[2]
11	Cash flow hedge reserve	-	
12	Excess of total EL amount over total eligible provisions under the IRB approach	-	
13	Credit-enhancing interest-only strip, and any gain-on-sale and other increase in the CET1 capital arising from securitization transactions	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable

		(a)	(b)
		Amount	**Source based on reference numbers of the balance sheet under the regulatory scope of consolidation**
22	Amount exceeding the 15% threshold	Not applicable	Not applicable
23	of which: significant investments in the ordinary share of financial sector entities	Not applicable	Not applicable
24	of which: mortgage servicing rights	Not applicable	Not applicable
25	of which: deferred tax assets arising from temporary differences	Not applicable	Not applicable
26	National specific regulatory adjustments applied to CET1 capital	-	
26a	Cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties)	-	
26b	Regulatory reserve for general banking risks	5,999,098	[6]+ [7]
26c	Securitization exposures specified in a notice given by the MA	-	
26d	Cumulative losses below depreciated cost arising from the institution's holdings of land and buildings	-	
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	**Total regulatory deductions to CET1 capital**	6,604,646	
29	**CET1 capital**	271,050,400	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	*Capital instruments subject to phase-out arrangements from AT1 capital*	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
36	**AT1 capital before regulatory deductions**	-	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	**Total regulatory deductions to AT1 capital**	-	

		(a)	(b)
		Amount	**Source based on reference numbers of the balance sheet under the regulatory scope of consolidation**
44	**AT1 capital**	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	271,050,400	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	*of which: capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	7,749,940	[-1]+ [-3]+ [6]
51	**Tier 2 capital before regulatory deductions**	7,749,940	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	**Total regulatory adjustments to Tier 2 capital**	-	
58	**Tier 2 capital (T2)**	7,749,940	
59	**Total regulatory capital (TC = T1 + T2)**	278,800,340	
60	**Total RWA**	677,785,644	
	Capital ratios (as a percentage of RWA)		

		(a)	(b)
		Amount	**Source based on reference numbers of the balance sheet under the regulatory scope of consolidation**
61	**CET1 capital ratio**	39.9906%	
62	**Tier 1 capital ratio**	39.9906%	
63	**Total capital ratio**	41.1340%	
64	**Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)**	9.4545%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical capital buffer requirement	2.4545%	
67	of which: higher loss absorbency requirement	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	31.6340%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	Not applicable	Not applicable
70	National Tier 1 minimum ratio	Not applicable	Not applicable
71	National Total capital minimum ratio	Not applicable	Not applicable
	Amounts below the thresholds for deduction (before risk weighting)		
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	-	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	-	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	7,749,940	[-1]+ [-3]+ [6]
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 capital instruments subject to phase-out arrangements*	Not applicable	Not applicable
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	Not applicable	Not applicable
82	*Current cap on AT1 capital instruments subject to phase-out arrangements*	-	

		(a)	(b)
		Amount	**Source based on reference numbers of the balance sheet under the regulatory scope of consolidation**
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase-out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

D. Composition of capital (Continued)

Template CC1: Composition of regulatory capital (Continued)

Notes to the Template

	Description	Hong Kong basis	Basel III basis
9	**Other intangible assets (net of associated deferred tax liabilities)**	-	-
	Explanation As set out in paragraph 87 of the Basel III text issued by the Basel Committee (December 2010), mortgage servicing rights ("MSRs") may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to follow the accounting treatment of including MSRs as part of intangible assets reported in the AI's financial statements and to deduct MSRs in full from CET1 capital. Therefore, the amount to be deducted as reported in row 9 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 9 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of MSRs to be deducted to the extent not in excess of the 10% threshold set for MSRs and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
10	**Deferred tax assets (net of associated deferred tax liabilities)**	605,548	605,548
	Explanation As set out in paragraphs 69 and 87 of the Basel III text issued by the Basel Committee (December 2010), DTAs of the bank to be realized are to be deducted, whereas DTAs which relate to temporary differences may be given limited recognition in CET1 capital (and hence be excluded from deduction from CET1 capital up to the specified threshold). In Hong Kong, an AI is required to deduct all DTAs in full, irrespective of their origin, from CET1 capital. Therefore, the amount to be deducted as reported in row 10 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 10 (i.e. the amount reported under the "Hong Kong basis") adjusted by reducing the amount of DTAs to be deducted which relate to temporary differences to the extent not in excess of the 10% threshold set for DTAs arising from temporary differences and the aggregate 15% threshold set for MSRs, DTAs arising from temporary differences and significant investments in CET1 capital instruments issued by financial sector entities (excluding those that are loans, facilities or other credit exposures to connected companies) under Basel III.		
18	**Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation For the purpose of determining the total amount of insignificant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 18 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 18 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

	Description	Hong Kong basis	Basel III basis
19	**Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation For the purpose of determining the total amount of significant LAC investments in CET1 capital instruments issued by financial sector entities, an AI is required to aggregate any amount of loans, facilities or other credit exposures provided by it to any of its connected companies, where the connected company is a financial sector entity, as if such loans, facilities or other credit exposures were direct holdings, indirect holdings or synthetic holdings of the AI in the capital instruments of the financial sector entity, except where the AI demonstrates to the satisfaction of the MA that any such loan was made, any such facility was granted, or any such other credit exposure was incurred, in the ordinary course of the AI's business. Therefore, the amount to be deducted as reported in row 19 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 19 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
39	**Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)**	-	-
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in AT1 capital instruments may be smaller. Therefore, the amount to be deducted as reported in row 39 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 39 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		
54	**Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)**	-	-
	Explanation The effect of treating loans, facilities or other credit exposures to connected companies which are financial sector entities as CET1 capital instruments for the purpose of considering deductions to be made in calculating the capital base (see note re row 18 to the template above) will mean the headroom within the threshold available for the exemption from capital deduction of other insignificant LAC investments in Tier 2 capital instruments and non-capital LAC liabilities may be smaller. Therefore, the amount to be deducted as reported in row 54 may be greater than that required under Basel III. The amount reported under the column "Basel III basis" in this box represents the amount reported in row 54 (i.e. the amount reported under the "Hong Kong basis") adjusted by excluding the aggregate amount of loans, facilities or other credit exposures to the AI's connected companies which were subject to deduction under the Hong Kong approach.		

Remarks:

The amount of the 10% threshold and 5% threshold mentioned above is calculated based on the amount of CET1 capital determined in accordance with the deduction methods set out in BCR Schedule 4F. The 15% threshold is referring to paragraph 88 of the Basel III text issued by the Basel Committee (December 2010) and has no effect to the Hong Kong regime.

D. Composition of capital (Continued)

Template CC2: Reconciliation of regulatory capital to balance sheet

	(a)	(b)	(c)
	Balance sheet as in published financial statements (as at 30 Sep 2019)	**Under regulatory scope of consolidation** (as at 30 Sep 2019)	**Reference**
Assets			
Cash and balances with banks and other financial institutions	51,329,618	51,329,618	
Trading assets	361,645	361,645	
Loan and advances to customers	609,534,390	609,534,390	
Of which: collective provision eligible for inclusion in Tier 2 capital	*(1,750,808)*	*(1,750,808)*	[1]
Investment securities	26,783,923	26,783,923	
Property and equipment	1,498,626	1,498,626	
Deferred tax assets	605,548	605,548	[2]
Tax recoverable	899,539	899,539	
Other assets	21,381,796	21,381,796	
Of which: collective provision eligible for inclusion in Tier 2 capital	*(34)*	*(34)*	[3]
Total assets	**712,395,085**	**712,395,085**	
Liabilities			
Deposits and balances from banks and other financial institutions	186,204,728	186,204,728	
Deposits from customers	99,619,511	99,619,511	
Deposits from fellow subsidiaries	71,381,376	71,381,376	
Loans from ultimate holding company	50,296,629	50,296,629	
Trading liabilities	116,400	116,400	
Other liabilities	27,121,395	27,121,395	
Total liabilities	**434,740,039**	**434,740,039**	
Shareholders' equity			
Paid-in share capital	32,000,000	32,000,000	[4]
Reserves	245,655,046	245,655,046	
Of which: retained earnings	*245,593,962*	*245,593,962*	[5]
of which: regulatory reserve for general banking risks in Tier 2 capital	*5,999,098*	*5,999,098*	[6]
of which: regulatory reserve not eligible for inclusion in Tier 2 capital	*0*	*0*	[7]
Of which: revaluation reserve and translation reserve	*61,084*	*61,084*	[8]
Total shareholders' equity	**277,655,046**	**277,655,046**	
Total equity and liabilities	**712,395,085**	**712,395,085**	

D. Composition of capital (Continued)

Table CCA: Main features of regulatory capital instruments

1	Issuer	ORIX Asia Limited
2	Unique identifier (eg CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Hong Kong
	Regulatory treatment	
4	Transitional Basel III rules#	N/A
5	Post-transitional Basel III rules+	N/A
6	Eligible at solo*/group/group & solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	USD32,000,000
9	Par value of instrument	No par value (16,000,000 shares)
10	Accounting classification	Shareholders' equity
11	Original date of issuance	24,998 ordinary shares 21-Sep-1971 375,000 ordinary shares 10-May-1973 1 ordinary share 11-Mar-1976 1,000,000 ordinary shares 19-Sep-1976 2,800,000 ordinary shares 26-Aug-1977 5,800,000 ordinary shares 31-Mar-1978 5,000,000 ordinary shares 28-Mar-1979 1,000,000 ordinary shares 10-Sep-1981 1 ordinary share 9-Oct-1986
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity date
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary
21	Existence of step up or other incentive to redeem	No
22	Noncumulative or cumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger (s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A

Remarks:

Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules

+ *Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H of the Banking (Capital) Rules*

* *Include solo-consolidated*

E. Leverage Ratio

Template LR2: Leverage Ratio

The detailed composition of the Company's leverage ratio as at 30 September 2019 and 30 June 2019 is set out below.

		(a)	(b)
		HK$'000	
		30 Sep 2019	30 June 2019
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	5,584,479	5,534,617
2	Less: Asset amounts deducted in determining Tier 1 capital	(51,800)	(59,080)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	5,532,679	5,475,537
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	2,836	2
5	Add-on amounts for PFE associated with all derivative contracts	20,196	20,135
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts	-	-
8	Less: Exempted CCP leg of client-cleared trade exposures	-	-
9	Adjusted effective notional amount of written credit derivative contracts	-	-
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts	-	-
11	**Total exposures arising from derivative contracts**	-	-
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	-	-
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	-	-
15	Agent transaction exposures	-	-
16	**Total exposures arising from SFTs**	-	-
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	114,647	181,336
18	Less: Adjustments for conversion to credit equivalent amounts	(103,051)	(162,881)
19	**Off-balance sheet items**	11,596	18,455
Capital and total exposures			
20	**Tier 1 capital**	2,125,848	2,109,371
20a	**Total exposures before adjustments for specific and collective provisions**	5,567,307	5,514,129
20b	**Adjustments for specific and collective provisions**	-	-
21	**Total exposures after adjustments for specific and collective provisions**	5,567,307	5,514,129
Leverage ratio			
22	**Leverage ratio**	38.18%	38.25%

E. Leverage Ratio (Continued)

Template LR1: Summary comparison of accounting assets against leverage ratio ("LR") exposure measure

The reconciliation between the leverage exposure measure and the assets per the published financial statements of the Company as at 30 September 2019 is set out below.

		(a)
	Item	**Value under the LR framework** (HK$'000)
1	Total consolidated assets as per published financial statements	5,584,479
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting standard but excluded from the LR exposure measure	-
4	Adjustments for derivative contracts	23,032
5	Adjustment for SFTs (i.e. repos and similar secured lending)	-
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	11,596
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	-
7	Other adjustments	(51,800)
8	**Leverage ratio exposure measure**	**5,567,307**

F. Countercyclical Capital Buffer Ratio

Template CCyB1: Geographical distribution of credit exposures used in countercyclical capital buffer ("CCyB")

The following table set out the Countercyclical Capital Buffer Ratio of the Company and the geographical breakdown of risk-weighted amounts in relation to private sector credit exposures as at 30 September 2019:

		(a)	(c)	(d)	(e)
	Geographical breakdown by Jurisdiction (J)	**Applicable JCCyB ratio in effect (%)**	**RWA used in computation of CCyB ratio (Amount in USD)**	**AI-specific CCyB ratio (%)**	**CCyB amount (Amount in USD)**
1	Hong Kong SAR	2.5000%	605,409,300		
	Sum		605,409,300		
	Total (including jurisdictions with zero JCCyB ratio)		616,636,628	2.4545%	15,135,233

G. Credit Risk for non-securitization exposures

Template CR1: Credit quality of exposures

The table below provides an overview of the credit quality of on-and off-balance sheet exposures as at 30 September 2019:

		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairments (USD)	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures (USD)	Net values (a+b-c) (USD)
		Defaulted exposures (USD)	Non-defaulted exposures (USD)		Allocated in regulatory category of specific provisions (USD)	Allocated in regulatory category of collective provisions (USD)		
1	Loans	15,204,120	682,430,570	10,457,982	-	-	-	687,176,708
2	Debt securities	-	25,218,411	-	-	-	-	25,218,411
3	Off-balance sheet exposures	-	14,617,777	34	-	-	-	14,617,743
4	***Total***	***15,204,120***	***722,266,758***	***10,458,016***	***-***	***-***	***-***	***727,012,862***

A default is considered to have occurred with regard to a particular borrower when either or both of the following events have taken place:

a) Subjective default: Borrower is considered to be unlikely to pay its credit obligations in full, without taking action such as realising security (if held).

b) Technical default: Borrower is more than 90 days past due on any credit obligation.

G. Credit Risk for non-securitization exposures (Continued)

Template CR2: Changes in defaulted loans and debt securities

The table below provides information on the changes in defaulted loans and debt securities, including any changes in the amount of defaulted exposures, movements between non-defaulted and defaulted exposures, and the reductions in the defaulted exposures due to write-offs as 30 September 2019 respectively:

		(a)
		Amount (USD)
1	**Defaulted loans and debt securities at end of the previous reporting (31 March 2019)**	***12,495,610***
2	Loans and debt securities that have defaulted since the last reporting period	3,136,632
3	Returned to non-defaulted status	(83,858)
4	Amounts written off	(318,104)
5	Other changes	(26,160)
6	**Defaulted loans and debt securities at end of the current reporting period (30 September 2019)**	***15,204,120***

Table CR3: Overview of recognized credit risk mitigation

The following table presents the extent of credit risk exposures covered by different types of recognized CRM as at 30 September 2019:

		(a)	(b1)	(b)	(d)	(f)
		Exposures unsecured: carrying amount (USD)	Exposures to be secured (USD)	Exposures secured by recognised collateral (USD)	Exposures secured by recognised guarantees (USD)	Exposures secured by recognised credit derivatives contracts (USD)
1	Loans	667,342,622	19,834,086	-	19,834,086	-
2	Debt securities	25,218,411	-	-	-	-
3	***Total***	**692,561,033**	**19,834,086**	**-**	**19,834,086**	**-**
4	*Of which defaulted*	*6,496,944*	*453,078*	-	*453,078*	**-**

Note: Amounts reported under column (b1) represent exposures which have at least one recognized CRM (collateral, financial guarantees, or credit derivative contracts) associated with them.

The allocation of the carrying amount of multi-secured exposures to different forms of recognized in columns (b), (d) and (f) is made by order of priority, starting with the form of recognized CRM expected to be called first in the event of loss, and within the limits of the carrying amount of the secured exposures.

G. Credit Risk for non-securitization exposures (Continued)

Template CR4: Credit risk exposures and effects of recognized credit risk mitigation –BSC approach

The following table illustrates the effect of any recognized CRM (including recognized collateral under both comprehensive and simple approaches) on the calculation of capital requirements under BSC approach as at 30 September 2019:

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		**Exposures post-CCF and post-CRM**		**RWA and RWA density**	
	Exposure classes	On-balance sheet amount (USD)	Off-balance sheet amount (USD)	On-balance sheet amount (USD)	Off-balance sheet amount (USD)	RWA (USD)	RWA density
1	Sovereign exposures	45,052,497	-	45,052,497	-	2,521,841	5.60%
2	PSE exposures	-	-	-	-	-	0.00%
3	Multilateral development bank exposures	-	-	-	-	-	0.00%
4	Bank exposures	51,339,029	-	51,339,029	-	10,267,806	20.00%
5	Cash items	637	-	637	-	-	0.00%
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	0.00%
7	Residential mortgage loans	366,822	-	366,822	-	183,411	50.00%
8	Other exposures	616,419,748	271,617,777	616,419,748	2,970,114	616,453,217	99.53%
9	Significant exposures to commercial entities	-	-	-	-	-	0.00%
10	**Total**	**713,178,733**	**271,617,777**	**713,178,733**	**2,970,114**	**629,426,275**	**87.89%**

G. Credit Risk for non-securitization exposures (Continued)

Template CR5: Credit risk exposures by asset classes and by risk weights – for BSC approach

The following table presents a breakdown of credit risk exposures under BSC approach by asset classes and by risk weights as at 30 September 2019:

(USD)

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Exposure class / Risk Weight	0%	10%	20%	35%	50%	100%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	19,834,086	25,218,411	-	-	-	-	-	-	45,052,497
2	PSE exposures	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-		-
4	Bank exposures	-	-	51,339,029	-	-	-	-	-	51,339,029
5	Cash items	637	-	-	-	-	-	-	-	637
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-
7	Residential mortgage loans	-	-	-	-	366,822	-	-	-	366,822
8	Other exposures	-	-	2,970,114	-	-	616,419,748	-	-	619,389,862
9	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-
10	**Total**	**19,834,723**	**25,218,411**	**54,309,143**	**-**	**366,822**	**616,419,748**	**-**	**-**	**716,148,847**

H. Counterparty credit risk

Template CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

The following table presents a comprehensive breakdown of counterparty default risk exposures (other than those to CCPs), RWAs, and, where applicable, main parameters under the approaches used to calculate default risk exposures in respect of derivative contracts and SFTs as at 30 September 2019:

		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC) (USD)	PFE (USD)	Effective EPE (USD)	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM (USD)	RWA (USD)
1	SA-CCR (for derivative contracts)	-	-		-	-	-
1a	CEM	361,645	2,575,000		-	2,936,645	587,328
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	**Total**						**587,328**

Template CCR2: CVA capital charge

The following table presents information on portfolios subject to the CVA capital charge and the CVA calculations based on standardized CVA method and advanced CVA method as at 30 September 2019:

		(a)	(b)
		EAD post CRM (USD)	RWA (USD)
	Netting sets for which CVA capital charge is calculated by the advanced CVA method	-	-
1	(i) VaR (after application of multiplication factor if applicable)		-
2	(ii) Stressed VaR (after application of multiplication factor if applicable)		-
3	Netting sets for which CVA capital charge is calculated by the standardized CVA method	2,936,645	455,963
4	Total	**2,936,645**	**455,963**

H. Counterparty credit risk (Continued)

Template CCR3: Counterparty default risk exposures (other than those to CCPs) by asset classes and by risk weights – for BSC approach

The following table presents a breakdown of default risk exposures as at 30 September 2019, other than those to CCPs, in respect of derivative contracts and SFTs that are subject to the BSC approach, by asset classes and risk-weights, irrespective of the approach used to determine the amount of default risk exposures:

(USD)

		(a)	(b)	(c)	(ca)	(d)	(f)	(ga)	(h)	(i)
	Exposure class / Risk Weight	0%	10%	20%	35%	50%	100%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	2,936,645	-	-	-	-	-	2,936,645
5	CIS exposures	-	-	-	-	-	-	-	-	-
6	Other exposures	-	-	-	-	-	-	-	-	-
7	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-
8	**Total**	-	-	**2,936,645**	-	-	-	-	-	**2,936,645**

H. Counterparty credit risk (Continued)

Template CCR5: Composition of collateral for counterparty default risk exposures (including those for contracts or transactions cleared through CCPs)

The following table presents a breakdown of all types of collateral posted or recognised collateral received to support or reduce the exposures to counterparty default risk exposures as at 30 September 2019 in respect of derivative contracts or SFTs entered into, including contracts or transactions cleared through a CCP:

	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs[1]	
	Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
USD	Segregated	Unsegregrated	Segregated	Unsegregrated		
Cash-domestic currency[2]	-	-	-	-	-	-
Cash-other currencies	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

As of 30 September 2019, the notional amount of currency derivatives contracts was USD257,000,000. There was no recognised collateral received and posted collateral for these derivative contracts. And, the Company does not have securities financing transaction exposures.

Template CCR6: Credit-related derivatives contracts

The Company does not have such exposures as at 30 September 2019.

Template CCR8: Exposures to CCPs

The Company does not have such exposures as at 30 September 2019.

I. Securitization exposures

No securitization exposures as at 30 September 2019.

[1] For "Collateral used in SFTs" reported in column (e) and (f), the collateral used is defined as referring to both legs of the transaction. For example, a company transfers securities to a third party, which in turn posts collateral to the Company. The Company should report both legs of the transaction in the template; on one hand the collateral received is reported in column (e), on the other hand the collateral posted by the Company's reported in column (f).

[2] "Domestic currency" refers to the Company's reporting currency (not the currency/ currencies in which the derivative contract or SFT is denominated).

J. Market risk

During the year ended 31 March 2019 and for the six months ended 30 September 2019, market risk arising from the Company's trading book is minimal. The Company has been granted exemption by the HKMA as it can fulfil the exemption criteria set out in sections 22(l)(a) and (b) of the Banking (Capital) Rules. Hence, the Company was exempted from the calculation of market risk.

Should there be any inconsistencies between the English and Chinese versions, the English version shall prevail.