

**ORIX Asia Limited**  
**Regulatory Disclosure Statement for the year ended 31 March 2020 (unaudited)**

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## **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-subsiidiary 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 2020, 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(1)(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)
		31 Mar 2020	31 Dec 2019	30 Sep 2019	30 Jun 2019	31 Mar 2019
<b>Regulatory capital (amount)</b>						
1	Common Equity Tier 1 (CET1)	274,981,905	271,283,398	271,050,400	269,861,361	269,081,191
2	Tier 1	274,981,905	271,283,398	271,050,400	269,861,361	269,081,191
3	Total capital	282,128,878	278,688,636	278,800,340	277,895,279	277,488,924
<b>RWA (amount)</b>						
4	Total RWA	622,557,718	644,015,393	677,785,644	690,971,962	720,362,806
<b>Risk-based regulatory capital ratios (as a percentage of RWA)</b>						
5	CET1 ratio (%)	44.1697%	42.1237%	39.9906%	39.0553%	37.3536%
6	Tier 1 ratio (%)	44.1697%	42.1237%	39.9906%	39.0553%	37.3536%
7	Total capital ratio (%)	45.3177%	43.2736%	41.1340%	40.2180%	38.5207%
<b>Additional CET1 buffer requirements (as a percentage of RWA)</b>						
8	Capital conservation buffer requirement (%)	2.5%	2.5%	2.5%	2.5%	2.5%
9	Countercyclical capital buffer requirement (%)	0.9848%	1.9662%	2.4545%	2.4514%	2.4471%
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 (%)	3.4848%	4.4662%	4.9545%	4.9514%	4.9471%
12	CET1 available after meeting the AI's minimum capital requirements (%)	35.8177%	33.7735%	31.6340%	30.7180%	29.0208%
<b>Basel III leverage ratio</b>						
13	Total leverage ratio (LR) exposure measure	621,548,476	651,881,065	709,843,951	705,447,465	734,624,570
14	LR (%)	44.24%	41.62%	38.18%	38.25%	36.63%
<b>Liquidity Maintenance Ratio (LMR)- applicable to category 2 institution only:</b>						
17a	LMR (%)	127.99%	100.67%	66.03%	82.32%	74.99%

### **C. Overview of risk management and Risk-Weighted Amount ("RWA")**

#### **Table OVA: Overview of risk management**

The Company's activities expose it to a variety of risks and those activities involve analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The risk management is underpinned by the Company's risk appetite. The Company's aim is therefore to achieve an appropriate balance between risk and return, and minimize potential adverse effects on the Company's financial performance.

The Company has established policies, procedures and controls for measuring, monitoring and controlling credit, liquidity, interest rate, foreign exchange and market risk which is reviewed regularly by management. The Company continuously modifies and enhances its credit and risk management policies and measurement and reporting systems to reflect changes in markets, products and best practice risk management processes. The internal auditors also perform regular audits to ensure compliance with the policies and procedures.

Stress tests would be conducted regularly or on the basis of selective stressed scenarios with full consideration of the correlation of key risk factors associated with the Company. It shall be done when there is an anticipation of a downturn in an industry or the overall economy, liquidity squeezes and adverse market developments or interest rate trends.

### C. Overview of risk management and Risk-Weighted Amount ("RWA") (Continued)

#### 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 31 March 2020 and 31 December 2019 respectively:

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31 Mar 2020 (USD)	31 Dec 2019 (USD)	31 Mar 2020 (USD)
1	Credit risk for non-securitization exposures	571,242,838	595,676,485	45,699,427
2	Of which STC approach	-	-	-
2a	Of which BSC approach	571,242,838	595,676,485	45,699,427
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	515,000	515,622	41,200
7	Of which SA-CCR*	N/A	N/A	N/A
7a	Of which CEM	515,000	515,622	41,200
8	Of which IMM(CCR) approach	-	-	-
9	Of which others	-	-	-
10	CVA risk	398,263	398,413	31,861
11	Equity positions in banking book under the simple risk-weight method and internal models method	-	-	-
12	Collective investment scheme ("CIS") exposures – LTA*	N/A	N/A	N/A
13	CIS exposures – MBA*	N/A	N/A	N/A
14	CIS exposures – FBA*	N/A	N/A	N/A
14a	CIS exposures – combination of approaches*	N/A	N/A	N/A
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)*	N/A	N/A	N/A
24	Operational risk	50,429,600	47,424,873	4,034,368
24a	Sovereign concentration risk	-	-	-
25	Amounts below the thresholds for deduction (subject to 250% RW)	-	-	-
26	Capital floor adjustment	-	-	-
26a	Deduction to RWA	(27,983)	-	(2,239)
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	(27,983)	-	(2,239)
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	622,557,718	644,015,393	49,804,617

Point to note:

(i) Items marked with an asterisk (\*) will be applicable only after their respective policy frameworks take effect. Until then, "Not applicable" should be reported in the rows.

**D. Linkages between financial statements and regulatory exposures**

**Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories**

The following table shows the differences between the carrying values as reported in the Company's financial statements as at 31 March 2020 following the scope of accounting consolidation and the carrying values under the scope of regulatory consolidation, with a breakdown into regulatory risk categories of every item of the assets and liabilities reported in financial statements based on the scope of accounting consolidation.

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statement (USD)	Carrying values under scope of regulatory consolidation (USD)	Carrying values of items				
			subject to credit risk framework (USD)	subject to counterparty credit risk framework (USD)	subject to securitization framework (USD)	subject to market risk framework (USD)	not subject to capital requirements or subject to deduction from capital (USD)
<b>Assets</b>							
Cash and balances with banks and other financial institutions	11,806,911		11,806,911	-	-	-	-
Loans and advances to customers	560,029,290		560,029,290	-	-	-	-
Investment securities	24,717,527		24,717,527	-	-	-	-
Property and equipment	13,508,531		13,508,531	-	-	-	-
Deferred tax assets	1,230,977		-	-	-	-	1,230,977
Other assets	9,461,964		9,461,964	-	-	-	-
<b>Total assets</b>	<b>620,755,200</b>		<b>619,524,223</b>	-	-	-	<b>1,230,977</b>

**D. Linkages between financial statements and regulatory exposures (Continued)**

**Template LI1: Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories (Continued)**

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Carrying values as reported in published financial statement (USD)	Carrying values under scope of regulatory consolidation (USD)	Carrying values of items				not subject to capital requirements or subject to deduction from capital (USD)
			subject to credit risk framework (USD)	subject to counterparty credit risk framework (USD)	subject to securitization framework (USD)	subject to market risk framework (USD)	
<b>Liabilities</b>							
Deposits and balances from banks and other financial institutions	119,779,192		-	-	-	-	119,779,192
Deposits from customers	96,708,525		-	-	-	-	96,708,525
Deposits from fellow subsidiaries	51,895,683		-	-	-	-	51,895,683
Loans from ultimate holding company	50,647,922		-	-	-	-	50,647,922
Trading liabilities	867,858		-	-	-	-	867,858
Lease liabilities	12,685,247		-	-	-	-	12,685,247
Tax payable	347,584		-	-	-	-	347,584
Other liabilities	9,408,812		-	-	-	-	9,408,812
<b>Total liabilities</b>	<b>342,340,823</b>		-	-	-	-	<b>342,340,823</b>

**D. Linkages between financial statements and regulatory exposures (Continued)**

**Template LI2: Main sources of differences between regulatory exposure amounts and carrying values in financial statements**

The following tables shows the main sources of differences between the carrying values in financial statements as at 31 March 2020 and the exposure amounts used for the calculation of regulatory capital in respect of the assets and liabilities based on the scope of regulatory consolidation:

		(a)	(b)	(c)	(d)	(e)
		Total (USD)	Items subject to:			
			credit risk framework (USD)	securitization framework (USD)	counterparty credit risk framework (USD)	market risk framework
1	<b>Asset carrying value amount under scope of regulatory consolidation (as per template LI1)</b>	<b>619,524,223</b>	<b>619,524,223</b>	-	-	-
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	<b>619,524,223</b>	<b>619,524,223</b>	-	-	-
4	Off-balance sheet amounts	16,341,540	2,608,189	-	-	-
5	<i>Differences due to consideration of provisions</i>	-	4,973,461	-	-	-
6	<i>Differences due to potential exposure for counterparty credit risk</i>	-	-	-	2,575,000	-
7	<b>Exposure amounts considered for regulatory purposes</b>	<b>635,865,763</b>	<b>627,105,873</b>	-	<b>2,575,000</b>	-

**D. Linkages between financial statements and regulatory exposures (Continued)**

**Table LIA: Explanations of differences between accounting and regulatory exposure amounts as at 31 March 2020**

**(1) Templates LI1**

Column (a) and (b) in template LI1 is identical as the Company does not have any subsidiary.

**(2) Template LI2**

The differences between accounting values and amounts considered for regulatory purposes are mainly attributable to the difference in the reporting treatment for impairment allowances and off-balance sheet exposures for accounting and regulatory reporting purposes.

- The on-balance sheet exposure presented represents the carrying value after netting the impairment allowances, whereas for regulatory reporting, the exposure amount reported represents the carrying value after netting Stage 3 impairment allowances, but before deducting Stage 1 and Stage 2 impairment allowances.
- For regulatory reporting purposes, counterparty credit risk exposures consist of both the current exposures, and the potential exposures which are derived by applying the CCF to the notional amount of the contracts. The notional amount of the contracts is the amount of an off-balance sheet item adopted for financial reporting.

**D. Linkages between financial statements and regulatory exposures (Continued)**

**Table LIA: Explanations of differences between accounting and regulatory exposure amounts as at 31 March 2020 (Continued)**

**(3) Systems and controls to ensure that the valuation estimates are prudent and reliable**

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Company determines fair values using valuation techniques. Valuation techniques include net present value and discounted cash flow models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity price and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

**D. Linkages between financial statements and regulatory exposures (Continued)**

**Table LIA: Explanations of differences between accounting and regulatory exposure amounts as at 31 March 2020 (Continued)**

**(3) Systems and controls to ensure that the valuation estimates are prudent and reliable (Continued)**

The Company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities and simple over-the-counter (OTC) derivatives like forward exchange contracts. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Company uses proprietary valuation models, which usually are developed from recognised valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain securities for which there is no active market. Valuation models that employ significant unobservable inputs require a higher degree of management judgement and estimation in determination of fair value. Management judgement and estimation are usually required for selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of probability of counterparty default and prepayments and selection of appropriate discount rates.

– Derivatives

The fair value of forward exchange contracts is estimated either using broker quotes or by discounting future cash flows. Future cash flows are estimated based on management's best estimates of the amount it would receive or pay to terminate the contract at the end of reporting period

**D. Linkages between financial statements and regulatory exposures (Continued)**

**Table LIA: Explanations of differences between accounting and regulatory exposure amounts as at 31 March 2020 (Continued)**

**(3) Systems and controls to ensure that the valuation estimates are prudent and reliable (Continued)**

taking into account current market conditions and the current credit worthiness of the counterparties. The discount rate used is a market rate for a similar instrument at the end of reporting period.

– Debt and equity securities

Debt securities are valued based on quoted market prices from an exchange or dealer price quotation, where available. For unlisted equity securities, the fair value is estimated based on the investee's financial position and results, risk profile, prospectus and other factors as well as reference to the market valuations for similar entities quoted in an active market.

**D. Linkages between financial statements and regulatory exposures (Continued)**

**Template PV1: Prudent valuation adjustment**

The breakdown of constituent elements of valuation adjustment is set out as below.

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
		Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
1	Close-out uncertainty, of which:	-	-	-	-	-	-	-	-
2	<i>Mid-market value</i>	-	-	-	-	-	-	-	-
3	<i>Close-out costs</i>	-	-	-	-	-	-	-	-
4	<i>Concentration</i>	-	-	-	-	-	-	-	-
5	Early termination	-	-	-	-	-	-	-	-
6	Model risk	-	-	-	-	-	-	-	-
7	Operational risks	-	-	-	-	-	-	-	-
8	Investing and funding costs						-	-	-
9	Unearned credit spreads						-	-	-
10	Future administrative costs	-	-	-	-	-	-	-	-
11	Other adjustments	-	-	-	-	-	-	-	-
<b>12</b>	<b>Total adjustments</b>	-	-	-	-	-	-	-	-

Prudent valuation adjustments ("PVA") are made for financial instruments accounted for at fair value for the purpose of determining capital requirements, regardless of whether they are booked in the trading book or banking book and whether they are marked-to-market or marked-to-model. The Company applies prudence and make appropriate adjustments to address valuation uncertainties arising from the following factors: close-out uncertainty, unearned credit spreads, and other factors where appropriate.

### E. 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
<b>CET1 capital: instruments and reserves</b>			
1	Directly issued qualifying CET1 capital instruments plus any related share premium	32,000,000	[4]
2	Retained earnings	246,329,136	[5]
3	Disclosed reserves	85,241	[8]
4	<i>Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)</i>	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	<b>CET1 capital before regulatory deductions</b>	278,414,377	
<b>CET1 capital: regulatory deductions</b>			
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)	1,230,977	[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

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		(a)	(b)
		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
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	2,201,495	[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	<b>Total regulatory deductions to CET1 capital</b>	3,432,472	
29	<b>CET1 capital</b>	274,981,905	
	<b>AT1 capital: instruments</b>		
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	<i>Capital instruments subject to phase-out arrangements from AT1 capital</i>	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	<i>of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
36	<b>AT1 capital before regulatory deductions</b>	-	
	<b>AT1 capital: regulatory deductions</b>		
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	-	

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		(a)	(b)
		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	<b>Total regulatory deductions to AT1 capital</b>	-	
44	<b>AT1 capital</b>	-	
45	<b>Tier 1 capital (T1 = CET1 + AT1)</b>	274,981,905	
<b>Tier 2 capital: instruments and provisions</b>			
46	Qualifying Tier 2 capital instruments plus any related share premium	-	
47	<i>Capital instruments subject to phase-out arrangements from Tier 2 capital</i>	-	
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	<i>of which: capital instruments issued by subsidiaries subject to phase-out arrangements</i>	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	7,146,973	[-1]+ [-3]+ [6]
51	<b>Tier 2 capital before regulatory deductions</b>	7,146,973	
<b>Tier 2 capital: regulatory deductions</b>			
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	<b>Total regulatory adjustments to Tier 2 capital</b>	-	
58	<b>Tier 2 capital (T2)</b>	7,146,973	

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		(a)	(b)
		Amount	Source based on reference numbers of the balance sheet under the regulatory scope of consolidation
59	<b>Total regulatory capital (TC = T1 + T2)</b>	282,128,878	
60	<b>Total RWA</b>	622,557,718	
	<b>Capital ratios (as a percentage of RWA)</b>		
61	<b>CET1 capital ratio</b>	44.1697%	
62	<b>Tier 1 capital ratio</b>	44.1697%	
63	<b>Total capital ratio</b>	45.3177%	
64	<b>Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)</b>	7.9848%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: bank specific countercyclical capital buffer requirement	0.9848%	
67	of which: higher loss absorbency requirement	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	35.8177%	
	<b>National minima (if different from Basel 3 minimum)</b>		
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
	<b>Amounts below the thresholds for deduction (before risk weighting)</b>		
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
	<b>Applicable caps on the inclusion of provisions in Tier 2 capital</b>		
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	7,146,973	[-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	-	
	<b>Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)</b>		
80	Current cap on CET1 capital instruments subject to phase-out arrangements	Not applicable	Not applicable

		(a)	(b)
		<b>Amount</b>	<b>Source based on reference numbers of the balance sheet under the regulatory scope of consolidation</b>
81	<i>Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)</i>	Not applicable	Not applicable
82	<i>Current cap on AT1 capital instruments subject to phase-out arrangements</i>	-	
83	<i>Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)</i>	-	
84	<i>Current cap on Tier 2 capital instruments subject to phase-out arrangements</i>	-	
85	<i>Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)</i>	-	

## E. Composition of capital (Continued)

### Template CC1: Composition of regulatory capital (Continued)

#### Notes to the Template

	Description	Hong Kong basis	Basel III basis
9	<b>Other intangible assets (net of associated deferred tax liabilities)</b>	-	-
	<p><u>Explanation</u></p> <p>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.</p>		
10	<b>Deferred tax assets (net of associated deferred tax liabilities)</b>	1,230,977	1,230,977
	<p><u>Explanation</u></p> <p>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.</p>		
18	<b>Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<p><u>Explanation</u></p> <p>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.</p>		

	Description	Hong Kong basis	Basel III basis
19	<b>Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<p><u>Explanation</u></p> <p>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.</p>		
39	<b>Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)</b>	-	-
	<p><u>Explanation</u></p> <p>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.</p>		
54	<b>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)</b>	-	-
	<p><u>Explanation</u></p> <p>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.</p>		
<p>Remarks:</p> <p>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.</p>			

## E. Composition of capital (Continued)

### Template CC2: Reconciliation of regulatory capital to balance sheet

	(a)	(b)	(c)
	<b>Balance sheet as in published financial statements</b> (as at 31 Mar 2020)	<b>Under regulatory scope of consolidation</b> (as at 31 Mar 2020)	<b>Reference</b>
<b>Assets</b>			
Cash and balances with banks and other financial institutions	11,806,911	11,806,911	
Loan and advances to customers	560,029,290	560,029,290	
<i>Of which: collective provision eligible for inclusion in Tier 2 capital</i>	<i>(4,973,413)</i>	<i>(4,973,413)</i>	[1]
Investment securities	24,717,527	24,717,527	
Property and equipment	13,508,531	13,508,531	
Deferred tax assets	1,230,977	1,230,977	[2]
Other assets	9,461,964	9,461,964	
<i>Of which: collective provision eligible for inclusion in Tier 2 capital</i>	<i>(48)</i>	<i>(48)</i>	[3]
<b>Total assets</b>	<b>620,755,200</b>	<b>620,755,200</b>	
<b>Liabilities</b>			
Deposits and balances from banks and other financial institutions	119,779,192	119,779,192	
Deposits from customers	96,708,525	96,708,525	
Deposits from fellow subsidiaries	51,895,683	51,895,683	
Loans from ultimate holding company	50,647,922	50,647,922	
Trading liabilities	867,858	867,858	
Lease liabilities	12,685,247	12,685,247	
Tax payable	347,584	347,584	
Other liabilities	9,408,812	9,408,812	
<b>Total liabilities</b>	<b>342,340,823</b>	<b>342,340,823</b>	
<b>Shareholders' equity</b>			
Paid-in share capital	32,000,000	32,000,000	[4]
Reserves	246,414,377	246,414,377	
<i>Of which: retained earnings</i>	<i>246,329,136</i>	<i>246,329,136</i>	[5]
<i>of which: regulatory reserve for general banking risks in Tier 2 capital</i>	<i>2,173,512</i>	<i>2,173,512</i>	[6]
<i>of which: regulatory reserve not eligible for inclusion in Tier 2 capital</i>	<i>27,983</i>	<i>27,983</i>	[7]
<i>Of which: revaluation reserve and translation reserve</i>	<i>85,241</i>	<i>85,241</i>	[8]
<b>Total shareholders' equity</b>	<b>278,414,377</b>	<b>278,414,377</b>	
<b>Total equity and liabilities</b>	<b>620,755,200</b>	<b>620,755,200</b>	

## E. 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
	<i>Regulatory treatment</i>	
4	Transitional Basel III rules <sup>#</sup>	N/A
5	Post-transitional Basel III rules <sup>+</sup>	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
	<i>Coupons / dividends</i>	
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:

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

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

<sup>\*</sup> Include solo-consolidated

## F. Leverage Ratio

### Template LR2: Leverage Ratio

The detailed composition of the Company's leverage ratio as at 31 March 2020 and 31 December 2019 is set out below.

		(a)	(b)
		HK\$'000	
		31 Mar 2020	31 Dec 2019
<b>On-balance sheet exposures</b>			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	4,811,722	5,073,463
2	Less: Asset amounts deducted in determining Tier 1 capital	(26,607)	(37,808)
3	<b>Total on-balance sheet exposures (excluding derivative contracts and SFTs)</b>	4,785,115	5,035,655
<b>Exposures arising from derivative contracts</b>			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	-	1
5	Add-on amounts for PFE associated with all derivative contracts	19,960	20,058
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	<b>Total exposures arising from derivative contracts</b>	19,960	20,059
<b>Exposures arising from SFTs</b>			
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	<b>Total exposures arising from SFTs</b>	-	-
<b>Other off-balance sheet exposures</b>			
17	Off-balance sheet exposure at gross notional amount	126,669	195,380
18	Less: Adjustments for conversion to credit equivalent amounts	(113,874)	(175,027)
19	<b>Off-balance sheet items</b>	12,795	20,353
<b>Capital and total exposures</b>			
20	<b>Tier 1 capital</b>	2,131,495	2,112,430
20a	<b>Total exposures before adjustments for specific and collective provisions</b>	4,817,870	5,076,067
20b	<b>Adjustments for specific and collective provisions</b>	-	-
21	<b>Total exposures after adjustments for specific and collective provisions</b>	4,817,870	5,076,067
<b>Leverage ratio</b>			
22	<b>Leverage ratio</b>	44.24%	41.62%

## F. 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 31 March 2020 is set out below.

		(a)
	Item	Value under the LR framework (HK\$'000)
1	Total consolidated assets as per published financial statements	4,811,722
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	19,960
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)	12,795
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	-
7	Other adjustments	(26,607)
8	<b>Leverage ratio exposure measure</b>	<b>4,817,870</b>

## G. 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 31 March 2020:

		(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	1.0000%	557,932,915		
	Sum		557,932,915		
	Total (including jurisdictions with zero JCCyB ratio)		566,564,937	0.9848%	5,579,329

## **H. Credit Risk for non-securitization exposures**

### **Table CRA: General information about credit risk**

Credit risk arises from the possibility that a customer or counterparty in a transaction may default. Such risk may arise from the lending, investment, treasury, derivatives and other activities undertaken by the Company.

In managing its risk profile, the Company has established credit and risk management related policy and procedure manual to define the credit underwriting criteria, the credit approval and monitoring model, the loan classification system and provisioning process. It also takes into account the requirements of the Hong Kong Banking Ordinance and the recommendations on best practices, large exposures and provision requirements issued by the Hong Kong Monetary Authority.

The Board of Directors ("the Board") has delegated approval authority to the Credit Committee to oversee management of the Company's credit risk.

The Credit Committee is responsible for all credit risk related issues of the Company. The Company identifies and manages credit risk through target market definitions, formulation of credit policies, credit approval process and monitoring of asset quality. The Credit Committee also conducts monthly meeting to review and report total credit risk exposures, asset quality and loan impairment charges, as well as portfolio analysis on different loan categories to ensure management oversight.

The Company manages its credit risk within its approved framework by evaluating the creditworthiness of customer or counterparty, setting credit limits for customer groups, countries and industry sectors, and obtaining collaterals where appropriate. In evaluating the credit risk associated with an individual customer or counterparty, loan purpose, financial strength and repayment ability are always the primary considerations. Credit risk may be mitigated by obtaining guarantees or acceptable collaterals from the customer or counterparty. Actual credit limits and exposures and asset quality are regularly monitored and controlled by management.

Credit risk control limits are set at different levels and dimensions. The Board approves the core control limits and delegates the Credit Committee to approve the detailed control limits. Risks, return and market situations are considered in the limits setting. Active limit monitoring processes is undertaken.

## **H. Credit Risk for non-securitization exposures (Continued)**

### **Table CRA: General information about credit risk (Continued)**

Compliance reviews are conducted by an independent unit on an ongoing basis to ensure compliance with applicable laws and regulations, standards, guidelines and codes of practices. The internal audit function of the Company is an independent appraisal function set up with the primary objective of evaluating the internal control system and compliance with laws, regulatory guidelines and internal control policies.

Specific policies and measures to address different kinds of credit related activities are set out below:

#### Corporate credit risk

In addition to underwriting standards, the principal means of managing credit risk is the credit approval process. The Company has policies and procedures to evaluate the potential credit risk of a particular counterparty or transaction and to approve the transaction. For corporate customers, the Company has a detailed risk grading system that is applied to each counterparty and reviewed on a regular basis. The Company has approved limits for exposures to borrowers and groups of borrowers, regardless of whether the exposure is in the form of funded or non-funded basis, secured or on clean basis. The Company also has a control and monitoring process that ensures the proper level of review and approval depending on the size and type of the facility and risk grading of the credit.

#### Credit risk for treasury transactions

The credit risk of the Company's treasury transactions is managed in the same way as the Company manages its corporate credit risk. The Company applies a risk grading to its counterparties and sets individual counterparty limits.

#### Credit-related commitments

The risks involved in credit-related commitments and contingencies are essentially the same as the credit risk involved in extending loan facilities to customers. These transactions are, therefore, subject to the same credit application, portfolio maintenance and collaterals requirements as for customers applying for loans. The Company shall not provide any other guarantees which would expose the Company to credit risk.

## H. Credit Risk for non-securitization exposures (Continued)

### Table CRA: General information about credit risk (Continued)

#### Concentration of credit risk

Concentration of credit risk exists when financial exposures to particular types of assets, single counterparty and groups of linked counterparties, counterparties in specific economic, geographic or industry sectors, types of lending with similar characteristics whose aggregate exposure with a potential to incur losses that are sufficient to threaten the Company's capital strength or earnings or undermine public confidence. The Company is vigilant about credit risk concentration and has been setting various limits and established control systems to manage and guard against concentration risk.

#### 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 31 March 2020:

	(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	18,856,733	555,135,935	13,960,470	-	-	560,032,198
2	Debt securities	-	23,165,106	-	-	-	23,165,106
3	Off-balance sheet exposures	-	16,341,540	48	-	-	16,341,492
<b>4</b>	<b>Total</b>	<b>18,856,733</b>	<b>594,642,581</b>	<b>13,960,518</b>	<b>-</b>	<b>-</b>	<b>599,538,796</b>

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

- Subjective default: Borrower is considered to be unlikely to pay its credit obligations in full, without taking action such as realising security (if held).
- Technical default: Borrower is more than 90 days past due on any credit obligation.

## H. 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 31 March 2020 respectively:

		(a)
		Amount (USD)
1	<b>Defaulted loans and debt securities at end of the previous reporting (30 September 2019)</b>	<b>15,204,120</b>
2	Loans and debt securities that have defaulted since the last reporting period	9,333,954
3	Returned to non-defaulted status	(1,885,266)
4	Amounts written off	(3,729,449)
5	Other changes	(66,626)
6	<b>Defaulted loans and debt securities at end of the current reporting period (31 March 2020)</b>	<b>18,856,733</b>

### Table CRB: Additional disclosure related to credit quality of exposures

#### (1) Qualitative disclosures

The carrying amount of the Company's assets are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. If any such evidence exists, the carrying amount is reduced to the estimated recoverable amount by means of a charge to the statement of profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognized in respect of loans and receivables, which are measured at amortized cost, whose recovery is considered doubtful but not remote. In this case, the impairment losses are recorded using an allowance account. When the Company is satisfied that recovery is remote, the amount considered irrecoverable is written off against loans and receivables directly and any amounts held in the allowance account relating to that borrower are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognized in the statement of profit or loss.

**H. Credit Risk for non-securitization exposures (Continued)**

**Table CRB: Additional disclosure related to credit quality of exposures (Continued)**

**(2) Breakdown of Credit Risk Exposures by Industry**

The following table illustrates the breakdown of credit risk exposures by industry as at 31 March 2020:

	Amount (USD)
Transport and transport equipment	127,888,793
Manufacturing	52,951,082
Others	208,103,175
Individuals	224,556,264
<b>Total</b>	<b>613,499,314</b>

**(3) Breakdown of Credit Risk Exposures by Geographical Areas**

The following table illustrates the breakdown of credit risk exposures by geographical areas as at 31 March 2020:

	Amount (USD)
Hong Kong	610,475,236
Others	3,024,078
<b>Total</b>	<b>613,499,314</b>

**(4) Breakdown of Credit Risk Exposures by Residual Maturity**

The following table illustrates the breakdown of credit risk exposures by residual maturity as at 31 March 2020:

	Amount (USD)
No later than 1 year	256,929,617
1-5 years	303,643,233
Over 5 years	52,926,464
<b>Total</b>	<b>613,499,314</b>

## H. Credit Risk for non-securitization exposures (Continued)

### Table CRB: Additional disclosure related to credit quality of exposures (Continued)

#### (5) Impaired Exposures of Credit Risk Exposures

The following table illustrates the impaired exposures of credit risk exposures as at 31 March 2020:

	Impaired Exposures (USD)	Stage 3 Impairment Allowances (USD)	Write-offs (USD)
Loans	12,332,553	8,987,057	3,105,783
Debt securities	-	-	-
Off-balance sheet items	-	-	-
<b>Total</b>	<b>12,332,553</b>	<b>8,987,057</b>	<b>3,105,783</b>

	Impaired loans and advances (USD)	Stage3 Impairment Allowances (USD)	Advances written off during the period (USD)
Manufacturing	2,518,921	1,891,406	2,121,849
Wholesale and retail trade	76,744	8,433	357,889
Transport and transport equipment	-	-	415,955
Others	2,068,454	1,122,760	-
Individuals	7,668,434	5,964,458	210,090
<b>Total</b>	<b>12,332,553</b>	<b>8,987,057</b>	<b>3,105,783</b>

	Impaired loans and advances (USD)
Hong Kong	12,332,553
Mainland China	-
Others	-
<b>Total</b>	<b>12,332,553</b>

#### (6) Aging Analysis of Accounting Past Due Exposures

The following table illustrates the aging analysis of accounting past due exposures as at 31 March 2020:

	Amount (USD)
Six months or less but over three months	9,374,575
One year or less but over six months	1,471,929
Over one year	8,362,478
<b>Total</b>	<b>19,208,982</b>

**H. Credit Risk for non-securitization exposures (Continued)**

**Table CRB: Additional disclosure related to credit quality of exposures (Continued)**

**(7) Breakdown of Restructured Exposures**

The following table illustrates the breakdown of restructured exposures as at 31 March 2020:

	Impaired (USD)	Not impaired (USD)	Total (USD)
Restructured exposures	2,231,930	45	2,231,975

**Table CRC: Qualitative disclosures related to credit risk mitigation**

In evaluating the credit risk associated with an individual customer or counterparty, loan purpose, financial strength and repayment ability are always the primary considerations. Credit risk may be mitigated by obtaining guarantees and acceptable collaterals from the customer or counterparty. Meanwhile, the Company did not enter into any bilateral netting arrangements during the year.

The extent of collateral coverage over the Company's loans and advances to customer depends on the type of customers and the product offered. Types of collateral include properties, equipments, vehicles and pledged deposits. The Company has put in place policies which determine the types of collaterals for credit risk mitigation.

The relevant policies and processes relating to the use of credit risk mitigation are established and approved by the Board of Directors, in which guidelines and collateral valuation parameters are subject to regular reviews to ensure the effectiveness over credit risk management.

The Company applies safe custodian of collaterals, regular re-valuation and close monitoring. In particular, the Company monitors the value of the collateral on a sufficiently frequent basis with respect to the nature of collateral and market practice, and in accordance with internal policy and procedure.

Whilst the Company's maximum exposure to credit risk is the carrying value of the assets or, in the case of off-balance sheet instruments, the amount guaranteed, committed, accepted or endorsed, the likely exposure may be lower due to offsetting collaterals, credit guarantees and other actions taken to mitigate the Company's exposure.

**H. Credit Risk for non-securitization exposures (Continued)**

**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 31 March 2020:

	(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	537,202,288	22,829,910	-	22,829,910	-
2	Debt securities	23,165,106	-	-	-	-
3	<b>Total</b>	<b>560,367,394</b>	<b>22,829,910</b>	<b>-</b>	<b>22,829,910</b>	<b>-</b>
4	<i>Of which defaulted</i>	9,869,676	-	-	-	-

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.

**H. 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 31 March 2020:

		(a)	(b)	(c)	(d)	(e)	(f)
		<b>Exposures pre-CCF and pre-CRM</b>		<b>Exposures post-CCF and post-CRM</b>		<b>RWA and RWA density</b>	
	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	45,995,016	-	45,995,016	-	2,316,511	5.04%
2	PSE exposures	-	-	-	-	-	0.00%
3	Multilateral development bank exposures	-	-	-	-	-	0.00%
4	Bank exposures	11,806,949	-	11,806,949	-	2,361,390	20.00%
5	Cash items	645	-	645	-	-	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	326,656	-	326,656	-	163,328	50.00%
8	Other exposures	566,368,420	273,841,540	566,368,420	2,608,189	566,401,609	99.55%
9	Significant exposures to commercial entities	-	-	-	-	-	0.00%
10	<b>Total</b>	<b>624,497,686</b>	<b>273,841,540</b>	<b>624,497,686</b>	<b>2,608,189</b>	<b>571,242,838</b>	<b>91.09%</b>

**H. 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 31 March 2020:

(USD)

Exposure class	Risk Weight	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		0%	10%	20%	35%	50%	100%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	22,829,910	23,165,106	-	-	-	-	-	-	45,995,016
2	PSE exposures	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	11,806,949	-	-	-	-	-	11,806,949
5	Cash items	645	-	-	-	-	-	-	-	645
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	-	-	-	-	326,656	-	-	-	326,656
8	Other exposures	-	-	2,608,189	-	-	566,368,420	-	-	568,976,609
9	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-
10	<b>Total</b>	<b>22,830,555</b>	<b>23,165,106</b>	<b>14,415,138</b>	<b>-</b>	<b>326,656</b>	<b>566,368,420</b>	<b>-</b>	<b>-</b>	<b>627,105,875</b>

## **I. Counterparty credit risk**

### **Table CCRA: Qualitative disclosures related to counterparty credit risk (including those arising from clearing through CCPs)**

Counterparty credit risk induced from the risk that the counterparty to a transaction may default before the final settlement of the transaction. Loss may be suffered depending on the market value of the transaction at the time of counterparty default.

Pre-settlement credit risk for traded products arising from a counterparty potentially defaulting on its obligations is quantified by evaluation of the market price, plus potential future exposure.

The Company's Market Risk Management Policy and related standards set out the Company's requirements for derivatives products.

Credit limits and exposures to counterparties are subject to the Company's credit risk management framework. Counterparties are assessed individually using an internal rating model and assigned credit risk ratings. After the credit exposures are assessed, credit limits are set for each counterparties and active limit monitoring processes is undertaken.

The Company actively monitors and manages our exposure to counterparties in OTC derivative trades to protect our balance sheet in the event of a counterparty default. Counterparty risk exposures that may be adversely affected by market risk events are identified, reviewed and acted upon by management, and highlighted to the appropriate risk committees.

**I. Counterparty credit risk (Continued)**

**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 31 March 2020:

		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC) (USD)	PFE (USD)	Effective EPE (USD)	Alpha ( $\alpha$ ) used for computing default risk exposure	Default risk exposure after CRM (USD)	RWA (USD)
1	SA-CCR (for derivative contracts)	-	-		1.4	-	-
1a	CEM	-	2,575,000		-	2,575,000	515,000
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	<b>Total</b>						<b>515,000</b>

**I. Counterparty credit risk (Continued)**

**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 31 March 2020:

		(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	2,575,000	398,263
4	Total	<b>2,575,000</b>	<b>398,263</b>

**I. 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 31 March 2020, 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)

	Exposure class	Risk Weight								
		(a) 0%	(b) 10%	(c) 20%	(ca) 35%	(d) 50%	(f) 100%	(ga) 250%	(h) Others	(i) Total default risk exposure after CRM
1	Sovereign exposures	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	2,575,000	-	-	-	-	-	2,575,000
5	CIS exposures	-	-	-	-	-	-	-	-	-
6	Other exposures	-	-	-	-	-	-	-	-	-
7	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-
8	<b>Total</b>	-	-	<b>2,575,000</b>	-	-	-	-	-	<b>2,575,000</b>

**I. 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 31 March 2020 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 <sup>1</sup>	
	Fair value of recognised collateral received		Fair value of posted collateral		Fair value of recognised collateral received	Fair value of posted collateral
USD	Segregated	Unsegregated	Segregated	Unsegregated		
Cash-domestic currency <sup>2</sup>	-	-	-	-	-	-
Cash-other currencies	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-

As of 31 March 2020, the notional amount of currency derivatives contracts was USD257,500,000. 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 31 March 2020.

**Template CCR8: Exposures to CCPs**

The Company does not have such exposures as at 31 March 2020.

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<sup>1</sup> 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).

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

## J. Securitization exposures

No securitization exposures as at 31 March 2020.

## K. Market risk

During the year ended 31 March 2020, 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(1)(a) and (b) of the Banking (Capital) Rules. Hence, the Company was exempted from the calculation of market risk.

## L. Liquidity

### **Table LIQA: Liquidity risk management**

Liquidity risk is the risk that the Company is unable to meet its payment obligations when due, or that it is unable, on an ongoing basis, to borrow funds in the market on an unsecured, or even secured basis at an acceptable price to fund actual or proposed commitments.

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalize on opportunities for business expansion. To manage liquidity risk, the Company has established a liquidity risk management policy ("the policy") which is reviewed by management and approved by the Directors at least annually.

The Company measures liquidity through the statutory Liquidity Maintenance Ratios ("LMR"), unsecured connected lending exposures and maturity mismatch ratio against internal and/or regulatory requirements.

Management closely monitors the liquidity of the Company on a daily basis to ensure that the liquidity structure of Company's assets, liabilities and commitments can meet its funding needs and that the statutory liquidity ratio is always complied with.

During the year, the Company is required to maintain the LMR not less than 25%. As at 31 March 2020, the ratio is reported as follows:

	As at 31 March 2020
Liquidity Maintenance Ratio	149.27%

**L. Liquidity (Continued)**

**Table LIQA: Liquidity risk management (Continued)**

The table below shows the Company's concentration of sources of funding as at 31 March 2020:

	As percentage of total liabilities (excluding shareholders' fund)
Deposits and balances from banks and other financial institutions	35.0%
Deposits from customers	28.2%
Deposits from fellow subsidiaries	15.2%
Loans from ultimate holding company	14.8%
Other liabilities exclude shareholders' fund	6.8%
Total	100%

The Board of Directors empowered the Asset and Liability Management Committee ("ALCO") to formulate, review, and update the policy from time to time in order to oversee the Company in managing its liquidity.

ALCO is responsible for the implementation and maintenance of the overall risk management framework relating to balance sheet structure, market risks and funding and liquidity management across the Company's banking business. Monthly meeting will be conducted.

Liquidity stress testing is a risk management tool for estimating risk exposure under stressed conditions arising from extreme but plausible market or macroeconomic movements. The Company conducts stress testing through scenario analysis for (i) Liquidity Ratio and (ii) Maturity Mismatch Ratio.

The Company maintains a Contingency Funding Plan ("CFP") that sets out its strategies and arrangements for addressing emergency situations. It contains a set of procedures and action plans to deal with liquidity stress events, with clearly established lines of responsibility and invocation and escalation procedures. In order to help identify emerging risk at an early stage and assess whether a potential liquidity problem is developing, a set of early warning indicators are monitored regularly. These indicators include qualitative and quantitative factors and involve the Company's internal indicators as well as market indicators. If an emerging liquidity crisis is identified, ALCO will instruct necessary pre-emptive or remedial actions, including the execution of the CFP. Treasury Department is responsible to update, review and test the plan annually to evaluate its effectiveness and operational feasibility in providing liquidity upon any crisis. The plan, being a part of liquidity risk management policy, is properly documented and reviewed at least annually by ALCO and duly approved by the Board of Directors.

**L. Liquidity (Continued)**

**Table LIQA: Liquidity risk management (Continued)**

Other monitoring measures:

- (i) Treasury Department prepares Daily Liquidity Ratio Projection Report to forecast up to 7 days liquidity ratio on daily basis, which reflects a more realistic liquidity position for monitoring and considering the necessity of funding arrangement promptly.
- (ii) Regarding unsecured lending to connected companies, Treasury Department daily projects the ratio against capital base and Accounting Department monitors the ratio on daily basis.
- (iii) Regarding cash flow projections, Projection of Cash Flow Report for coming four months is prepared by Treasury Department, for establishing financial plans and recognising the timing and amount of fund raising that aligns strategic objectives.
- (iv) Liquidity related issues, strategies, internal risk limits and stress testing results are reported in monthly ALCO meetings and documented in meeting minutes.

**L. Liquidity (Continued)**

**Table LIQA: Liquidity risk management (Continued)**

US\$	Total	Repayable on demand	Within 1 month	Over 1 month but within 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years	Undated or overdue
Cash and balances with banks and other financial institutions	11,806,911	8,293,576	3,513,335	-	-	-	-	-
Loans and advances to customers	560,029,290	-	21,340,682	41,702,240	139,035,284	296,251,864	51,638,935	10,060,285
Investment securities	24,717,527	-	5,158,810	10,302,139	7,704,157	-	-	1,552,421
Other assets	24,201,472	3,083,403	550,264	672,403	1,989,115	9,072,328	-	8,833,959
<b>Total on-balance sheet assets</b>	<b>620,755,200</b>	<b>11,376,979</b>	<b>30,563,091</b>	<b>52,676,782</b>	<b>148,728,556</b>	<b>305,324,192</b>	<b>51,638,935</b>	<b>20,446,665</b>
<b>Total off-balance sheet claims</b>	<b>848,943,959</b>	-	<b>661,943,959</b>	<b>187,000,000</b>	-	-	-	-
Deposits and balances of banks and other financial institutions	119,779,192	-	27,690,931	24,552,074	-	67,536,187	-	-
Deposits from customers	96,708,525	-	10,054,983	70,132,780	12,700,614	3,820,148	-	-
Deposits from fellow subsidiaries	51,895,683	-	-	51,895,683	-	-	-	-
Loans from ultimate holding company	50,647,922	-	-	-	38,702,686	11,945,236	-	-
Lease liabilities	12,685,247	-	254,822	498,817	2,212,987	9,718,621	-	-
Other liabilities and capital	289,038,631	3,022,386	6,311,663	203,951	591,603	494,651	-	278,414,377
<b>Total on-balance sheet liabilities</b>	<b>620,755,200</b>	<b>3,022,386</b>	<b>44,312,399</b>	<b>147,283,305</b>	<b>54,207,890</b>	<b>93,514,843</b>	-	<b>278,414,377</b>
<b>off-balance sheet obligations</b>	<b>261,902,968</b>	-	<b>73,998,290</b>	<b>187,738,731</b>	<b>165,947</b>	-	-	-
<b>Contractual maturity mismatch</b>		<b>8,354,593</b>	<b>574,196,361</b>	<b>(95,345,254)</b>	<b>94,354,719</b>	<b>211,809,349</b>	<b>51,638,935</b>	<b>(257,967,712)</b>
<b>Cumulative contractual maturity mismatch</b>		<b>8,354,593</b>	<b>582,550,954</b>	<b>487,205,700</b>	<b>581,350,419</b>	<b>793,369,768</b>	<b>845,008,703</b>	<b>587,040,991</b>

## **M. Interest rate risk in banking book**

### **Table IRRBBA: Interest rate exposure in banking book-risk management objectives and policies**

Interest rate risk means the risk to the Company's financial condition resulting from adverse movements in interest rates. It primarily results from the mismatches in the repricing of interest bearing assets, liabilities, and off-balance sheet items in the banking book.

The framework adopted by the Company to measure interest rate risk exposures arising from its banking book positions is consistent with the guidelines set out by the HKMA in its Supervisory Policy Manual on Interest Rate Risk Management. From an earnings perspective, interest rate risk is the risk that the net income arising from future cash flows of a financial instrument will fluctuate because of changes in market interest rates. From an economic value perspective, interest rate risk is the risk that the economic value of a financial instrument will fluctuate because of changes in market interest rates. The Company takes on interest rate risk from both perspectives in the banking book. As such, the interest margins or net interest income ("NII") and the economic value of equity ("EVE") may increase or decrease as a result of such changes or in the event that unexpected movements arise.

ALCO identifies the major interest rate risks of the Company. In determining the levels of interest rate risk, assessments are made on the levels of repricing risk and funding strategy with respect to interest rate movements. The interest rate impacts monitor through scenario analysis and stress testing at least on a quarterly basis.

Stress testing is conducted at least on a quarterly basis, which includes the six standardized interest rate shock scenarios as required by the HKMA. Both the changes in NII and EVE are measured and assessed.

The Internal Audit Department of the Company periodically reviews the overall risk management framework on IRRBB, the methodologies and assumptions used.

In the measurement of IRRBB, the Company applies the following key assumptions required by the HKMA's Supervisory Policy Manual on Interest Rate Risk management:

- Retail fixed rate loans subject to prepayment risk. A conditional prepayment rate ("CPR") has been applied based on historical data.
- Retail term deposits subject to early redemption risks. The deposit redemption rate ("TDRR") is calculated by dividing the forecasted early redemption amount by the total outstanding balance at reporting date.
- There is no modelling scope on Non-maturity deposits ("NMDs"). The earliest repricing date of such deposits is used to determine the impact of IRRBB.
- Commercial margins and other spread components have been included in the cash flows used in the computation and discount rate used for measuring EVE.

**M. Interest rate risk in banking book (Continued)**

**Template IRRBB1: Quantitative information on interest rate risk in banking book**

The method and assumptions used in the sensitivity analysis below follow the HKMA's revised framework for interest rate risk in the banking book. The scenarios are applied to IRRBB exposures in each currency for which the Company has material positions.

(HK\$Million)		(a)	(b)	(c)	(d)
		<b>ΔEVE</b>		<b>ΔNII</b>	
	<b>31 March 2020</b>	<b>31 March 2020</b>	<b>T-1</b>	<b>31 March 2020</b>	<b>T-1</b>
1	Parallel up	70	N/A	(12)	N/A
2	Parallel down	-	N/A	12	N/A
3	Steepener	8	N/A		
4	Flattener	22	N/A		
5	Short rate up	38	N/A		
6	Short rate down	-	N/A		
7	<b>Maximum</b>	70	N/A	12	N/A
	<i>* Positive values indicate losses</i>				
	<b>Period</b>	<b>31 March 2020</b>		<b>T-1</b>	
8	<b>Tier 1 capital</b>	2,131		N/A	

Since this is the first time to present the disclosure under the revised IRRBB, comparative figures with prior year are not available.

## **N. Remuneration**

### **Table REMA: Remuneration Policy**

#### (a) Remuneration Principles

The Company adopts the following remuneration principles:

- Pay for performance is the guiding principle to reward individual performance and contribution, which are measured through the performance management process.
- The remuneration structure is based on various factors such as business needs, culture, strategy, objectives, risk appetite and control environment, market situations and the principles set out in relevant legal and regulatory requirements applicable to employees' remuneration.
- The Company's Remuneration Policy ("RP") is to maintain fair and competitive packages based on business needs and industry practice. It also promotes effective risk management, and is designed to encourage employee behaviour that supports the Company's business objectives, long-term financial soundness, risk tolerance, and risk management framework.
- Variable remuneration is designed to align employees' incentive awards with their performance and contributions in the long term, and the time horizons of risk where appropriate.
- Generally, the proportion of variable remuneration to total remuneration increases in line with the seniority and responsibilities of an employee.
- Decision of individual remuneration package will depend on market pay levels, individual performance and contribution, principles set out in the RP, and performance and affordability of the Company, and consideration of regulatory guidelines.

The Company's total remuneration strategy is to position itself at market median to upper quartile level, and offers to its employees remuneration packages, which normally consist of guaranteed cash and variable remuneration in the form of discretionary performance incentive bonus, that as a whole will properly reward individual performance and are competitive relative to market pay levels.

## **N. Remuneration (Continued)**

### **Table REMA: Remuneration Policy (Continued)**

#### (b) Governance of the Remuneration System

In accordance with the Supervisory Policy manual CG-5 "Guideline on a Sound Remuneration Systems" issued by the HKMA in March 2015, the Company has reviewed and revised its remuneration policy for all employees of the Company which includes a reassessment of the principles applied in determining remuneration packages, as well as the structure and amount of compensation ultimately awarded.

The level of fees paid to non-executive directors is determined by reference to factors including fees paid by comparable institutions, directors' workload and commitments.

The remuneration packages of directors who are expatriates seconded from the parent company, ORIX Corporation, Japan ("ORIX"), are determined and reviewed by ORIX. The following factors are considered when determining the remuneration packages of directors:

- business needs and economic environment
- remuneration packages in the labour markets
- directors' workload and commitments
- directors' individual and collective contributions to the Company which are assessed in the performance appraisal process; and
- retention consideration and individual potential.

No individual director will be involved in decisions relating to his/her own remuneration.

The Board reviews the remuneration packages of all local employees on an annual basis. The remuneration packages of local employees are composed of a combination of fixed and variable remuneration. The appropriate proposition of fixed and variable remuneration shall vary according to the employee's seniority, role, responsibilities, and activities within the Company, among other things.

One of the key roles of Human Resources Department ("HRD") is to support the Company to attract quality candidates and retain and engage existing employees. To achieve these objectives, HRD regularly reviews the Company's human resources policies and employees' compensation and benefits with reference to market practices and pay levels to ensure competitiveness. HRD also

## **N. Remuneration (Continued)**

### **Table REMA: Remuneration Policy (Continued)**

#### (b) Governance of the Remuneration System (Continued)

provides support to the design and implementation of remuneration policy and measures to meet regulatory requirements and align with market practices.

During the year, the Company had made reference to the market pay levels and ranges provided by external consultants for salary adjustment decisions. No advice in respect of remuneration system and/or process was sought from external consultants.

#### (c) Application of the Company's Remuneration Policy to the Staff of the Company

The RP is established to provide the key remuneration principles and practices covering all employees of the Company, and the key risk management requirements relating to remuneration and performance. Specific regards are on the remuneration and the roles of the following personnel:

- (1) Directors refer to those senior executives who are responsible for overseeing development and execution of the Company-wide strategies, business plan or activities. These mainly include the Chairman, Chief Executive and Directors of the Company.
- (2) Senior Management (Senior appointed under Section 71 of the Banking Ordinance) and Key Personnel (Managers appointed under Section 72B of the Banking Ordinance), i.e. individual employees whose duties or activities in the course of their employment involve the assumption of material risk or the taking on of material exposures on behalf of the Company.
- (3) The Company of employees whose activities in the aggregate may expose the Company to material amounts of risk, and who are subject to the same or similar incentive arrangements (including employees who are incentivized to meet certain quotas or targets by payment of meaningful amount of variable remuneration). During the year, the Company did not have any employees classified in this category under its existing remuneration system.

**N. Remuneration (Continued)**

**Table REMA: Remuneration Policy (Continued)**

(d) Structure of Remuneration

Components

The structure of remuneration is generally composed of the following components:

- Fixed remuneration refers to the employee's annual salary (including year-end pay), while variable remuneration is awarded based on the employee's performance in order to better align incentives with risk and longer-term value creation.
- Variable remuneration is in the form of cash bonus payment only and is directly related to performance. Poor performance (either financial or non-financial) will result in a reduction or elimination of variable remuneration.

In determining the remuneration packages of the local senior management, the Company takes into account individual performances, performances of respective divisions and departments, and the Company's overall business goals and objectives.

For Senior Management, a fair to substantial proportion of the remuneration is paid in the form of variable remuneration, which is mainly granted in the form of performance incentive bonus. This practice is to achieve an effective alignment of incentive awards with the time horizons of risks.

**N. Remuneration (Continued)**

**Template REM1: Remuneration awarded during the financial year**

**2020**

**(USD)**

Remuneration amount and quantitative information			Senior management	key personnel
1	Fixed remuneration	Number of employees	6	10
2		Total fixed remuneration	223,595	1,334,536
3		Of which: cash-based	223,595	1,334,536
4		Of which: deferred	-	-
5		Of which: share of other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	-	-
8		Of which: deferred	-	-
9	Variable remuneration	Number of employees	6	10
10		Total variable remuneration	225,596	343,444
11		Of which: cash-based	225,596	343,444
12		Of which: deferred	-	-
13		Of which: share of other share-linked instruments	-	-
14		Of which: deferred	-	-
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	<b>Total remuneration</b>		449,191	1,677,980

**N. Remuneration (Continued)**

**Template REM1: Remuneration awarded during the financial year (Continued)**

**2019**

**(USD)**

Remuneration amount and quantitative information			Senior management	key personnel
1	Fixed remuneration	Number of employees	6	8
2		Total fixed remuneration	212,319	1,200,566
3		Of which: cash-based	212,319	1,200,566
4		Of which: deferred	-	-
5		Of which: share of other share-linked instruments	-	-
6		Of which: deferred	-	-
7		Of which: other forms	-	-
8		Of which: deferred	-	-
9	Variable remuneration	Number of employees	6	8
10		Total variable remuneration	220,698	274,370
11		Of which: cash-based	220,698	274,370
12		Of which: deferred	-	-
13		Of which: share of other share-linked instruments	-	-
14		Of which: deferred	-	-
15		Of which: other forms	-	-
16		Of which: deferred	-	-
17	<b>Total remuneration</b>		433,017	1,474,936

**N. Remuneration (Continued)**

**Template REM2: Special payments**

**2020 & 2019**

**USD**

		(a)	(b)	(c)	(d)	(e)	(f)
Special payments		Guaranteed bonuses		Sign-on awards		Severance payments	
		Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
1	Senior management	-	-	-	-	-	-
2	Key personnel	-	-	-	-	-	-

**Template REM3: Deferred remuneration**

**2020 & 2019**

**USD**

		(a)	(b)	(c)	(d)	(e)
Deferred and retained remuneration		Total amount of outstanding deferred remuneration	Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of amendment during the year due to ex post explicit adjustments	Total amount of amendment during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
1	Senior management	-	-	-	-	-
2	Cash	-	-	-	-	-
3	Shares	-	-	-	-	-
4	Cash-linked instruments	-	-	-	-	-
5	Other	-	-	-	-	-
6	Key personnel	-	-	-	-	-
7	Cash	-	-	-	-	-
8	Shares	-	-	-	-	-
9	Cash-linked instruments	-	-	-	-	-
10	Other	-	-	-	-	-
<b>11</b>	<b>Total</b>	-	-	-	-	-

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