

ORIX Asia Limited

Regulatory Disclosure Statement for the six month ended 30 September 2017(unaudited)

ORIX Asia Limited

Regulatory Disclosure Statement

For the interim period ended 30 September 2017

(unaudited)

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1. Introduction

Purpose

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

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 2017 and for the six month ended 30 September 2017, market risk arising from the Company's trading book was minimal. The Company has been granted exemption by the HKMA as it can fulfil the exemption criteria set out in sections 22(l)(a) and (b) of the Banking (Capital) Rules. Hence, the Company was exempted from the calculation of market risk.

2. Key Capital Ratios

Capital Adequacy Ratio (solo basis)

	Reference	30-Sep-2017 (USD)	30-Jun-2017 (USD)
Capital base and risk-weighted assets			
-Common Equity Tier 1 Capital	[A]	260,112,770	257,554,086
-Tier 1 Capital	[B]	260,112,770	257,554,086
-Total Capital	[C]	270,117,564	267,903,174
-Total Risk Weighted Assets	[D]	843,351,264	869,617,217
Capital Adequacy Ratio			
-Common Equity Tier 1 Capital Ratio	[A]/[D]	30.8428%	29.6169%
-Tier 1 Capital Ratio	[B]/[D]	30.8428%	29.6169%
-Total Capital Ratio	[C]/[D]	32.0291%	30.8070%

Leverage Ratio (combined)

	Reference	30-Sep-2017 (USD)	30-Jun-2017 (USD)
Capital measure and exposure measure			
-Tier 1 Capital	[B]	260,112,770	257,554,086
-Total exposure measure	[E]	870,834,121	883,415,807
Leverage Ratio			
	[B]/[E]	29.87%	29.15%

3. Overview of risk management and Risk-Weighted Amount (“RWA”)Template OV1: Overview of RWA

The following table provides an overview of capital requirements in terms of a detailed breakdown of RWAs for various risks as at 30 September 2017 and 30 June 2017 respectively:

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		30-Sep-2017 (USD)	30-Jun-2017 (USD)	30-Sep-2017 (USD)
1	Credit risk for non-securitization exposures	799,775,145	827,195,980	63,982,012
2	Of which STC approach			
2a	Of which BSC approach	799,775,145	827,195,980	63,982,012
3	Of which IRB approach			
4	Counterparty credit risk	1,070,298	1,287,569	85,624
5	Of which SA-CCR			
5a	Of which CEM	608,398	731,044	48,672
6	Of which IMM(CCR) approach			
7	Equity exposures in banking book under the market-based approach			
8	CIS exposures – LTA			
9	CIS exposures – MBA			
10	CIS exposures – FBA			
11	Settlement risk			
12	Securitization exposures in banking book			
13	Of which IRB(S) approach – ratings-based method			
14	Of which IRB(S) approach – supervisory formula method			
15	Of which STC(S) approach			
16	Market risk			
17	Of which STM approach			
18	Of which IMM approach			
19	Operational risk	43,049,717	41,661,392	3,443,977
20	Of which BIA approach	43,049,717	41,661,392	3,443,977
21	Of which STO approach			
21a	Of which ASA approach			
22	Of which AMA approach	N/A	N/A	N/A
23	Amounts below the thresholds for deduction (subject to 250% RW)			
24	Capital floor adjustment			
24a	Deduction to RWA	543,896	527,724	43,512
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	543,896	527,724	43,512
24c	Of which portion of cumulative fair value gains arising from the revaluation of land and buildings which is not included in Tier 2 Capital			
25	Total	843,351,264	869,617,217	67,468,101

N/A: Not applicable in the case of Hong Kong

4. Credit Risk for non-securitization exposures

Template CR1: Credit quality of exposures

The table below provides an overview of the credit quality of on-and off-balance sheet exposures as at 30 September 2017:

		(a)	(b)	(c)	(d)
		Gross carrying amounts of		Allowances / Impairments (USD)	Net values (USD)
		Defaulted exposures (USD)	Non-defaulted exposures (USD)		
1	Loans	4,776,605	784,988,344	3,765,022	785,999,927
2	Debt securities	-	30,636,184		30,636,184
3	Off-balance sheet exposures	-	38,877,023		38,877,023
4	Total	4,776,605	854,501,551	3,765,022	855,513,134

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

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

4. 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 at 30 September 2017 and 31 March 2017 respectively:

		(a)
		Amount (USD)
1	Defaulted loans and debt securities at end of the previous reporting	4,765,156
2	Loans and debt securities that have defaulted since the last reporting period	850,416
3	Returned to non-defaulted status	(428,058)
4	Amounts written off	(399,508)
5	Other changes	(11,401)
6	Defaulted loans and debt securities at end of the current reporting period	4,776,605

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

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

The following table illustrates the effect of any recognized CRM (including recognized collateral under both comprehensive and simple approaches) on the calculation of capital requirements under BSC approach as at 30 September 2017:

		(a)	(b)	(c)	(d)	(e)	(f)
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
	Exposure classes	On-balance sheet amount (USD)	Off-balance sheet amount (USD)	On-balance sheet amount (USD)	Off-balance sheet amount (USD)	RWA (USD)	RWA density
1	Sovereign exposures	44,498,804	-	44,498,804	-	3,063,619	6.88%
2	PSE exposures	-	-	-	-	-	0.00%
3	Multilateral development bank exposures	-	-	-	-	-	0.00%
4	Bank exposures	39,968,021	-	39,968,021	-	7,993,604	20.00%
5	Cash items	640	-	640	-	-	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	746,524	-	746,524	-	373,262	50.00%
8	Other exposures	787,312,959	296,649,918	787,312,959	4,066,919	788,344,660	99.62%
9	Significant exposures to commercial entities	-	-	-	-	-	0.00%
10	Total	872,526,948	296,649,918	872,526,948	4,066,919	799,775,145	91.24%

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

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

The following table presents a breakdown of credit risk exposures under BSC approach by asset classes and by risk weights as at 30 September 2017:

(USD)

Exposure class	Risk Weight									Total credit risk exposures amount (post CCF and post CRM)
	(a) 0%	(b) 10%	(c) 20%	(d) 35%	(e) 50%	(f) 100%	(g) 250%	(h) Others	(i)	
1 Sovereign exposures	13,862,619	30,636,185	-	-	-	-	-	-	-	44,498,804
2 PSE exposures	-	-	-	-	-	-	-	-	-	-
3 Multilateral development bank exposures	-	-	-	-	-	-	-	-	-	-
4 Bank exposures	-	-	39,968,021	-	-	-	-	-	-	39,968,021
5 Cash items	640	-	-	-	-	-	-	-	-	640
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	-	-	-	-	746,524	-	-	-	-	746,524
8 Other exposures	-	-	4,066,919	-	-	787,312,959	-	-	-	791,379,878
9 Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-	-
10 Total	13,863,259	30,636,185	44,034,940	-	746,524	787,312,959	-	-	-	876,593,867

5. Counterparty credit riskTemplate CCR1: Analysis of counterparty default risk exposures (other than those to CCPs) by approaches

The following table presents a comprehensive breakdown of counterparty default risk exposures (other than those to CCPs), RWAs, and, where applicable, main parameters under the approaches used to calculate default risk exposures in respect of derivative contracts and SFTs as at 30 September 2017:

		(a)	(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC) (USD)	PFE (USD)	Effective EPE (USD)	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM (USD)	RWA (USD)
1	SA-CCR (for derivative contracts)	-	-		-	-	-
1a	CEM	457,489	2,577,729		-	3,035,218	608,398
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	Total						608,398

5. 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 30 September 2017:

		(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	3,035,218	461,900
4	Total	3,035,218	461,900

5. Counterparty credit risk (Continued)

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

The following table presents a breakdown of default risk exposures as at 30 September 2017, 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	-	-	3,033,524	-	-	-	-	-	3,033,524
5	CIS exposures	-	-	-	-	-	-	-	-	-
6	Other exposures	-	-	-	-	-	1,694	-	-	1,694
7	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-
8	Total	-	-	3,033,524	-	-	1,694	-	-	3,035,218

Template CCR6: Credit-related derivatives contracts

The Company does not have such exposures as at 30 September 2017.

Template CCR8: Exposures to CCPs

The Company does not have such exposures as at 30 September 2017.

6. Securitization exposures

No securitization exposures disclosure as at 30 September 2017.

7. Market risk

During the year ended 31 March 2017 and for the six month ended 30 September 2017, market risk arising from the Company's trading book is minimal. The Company has been granted exemption by the HKMA as it can fulfil the exemption criteria set out in sections 22(l)(a) and (b) of the Banking (Capital) Rules. Hence, the Company was exempted from the calculation of market risk.