ORIX Asia Limited

Regulatory Disclosure Statement

For the year ended 31 March 2018

(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 2018, 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	31-Mar-2018 (USD)	31-Dec-2017 (USD)
Capital base and risk-weighted assets			
-Common Equity Tier 1 Capital	[A]	264,285,046	262,909,486
-Tier 1 Capital	[B]	264,285,046	262,909,486
-Total Capital	[C]	273,862,369	272,574,266
-Total Risk Weighted Assets	[D]	811,330,203	817,543,714
Capital Adequacy Ratio			
-Common Equity Tier 1 Capital Ratio	[A]/[D]	32.5743%	32.1585%
-Tier 1 Capital Ratio	[B]/[D]	32.5743%	32.1585%
-Total Capital Ratio	[C]/[D]	33.7547%	33.3406%

Leverage Ratio (combined)

	Reference	31-Mar-2018 (USD)	31-Dec-2017 (USD)
Capital measure and exposure measure			
-Tier 1 Capital	[B]	264,285,046	262,909,486
-Total exposure measure	[E]	828,359,964	830,899,880
Leverage Ratio	[B]/[E]	31.90%	31.64%

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

Table OV1: 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 minimise 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 other market risks which are reviewed regularly by management. The Company continuously modifies and enhances its 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 realistic scenarios with full consideration of the correlation of various risks and the vulnerability. It shall be done when there is a downturn in an industry or the overall economy, liquidity squeezes and adverse market developments or interest rate trends.

3. 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 2018 and 31 December 2017 respectively:

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31-Mar-2018 (USD)	31-Dec-2017 (USD)	31-Mar-2018 (USD)
1	Credit risk for non-securitization exposures	**765,517,869**	**772,589,756**	**61,241,430**
2	Of which STC approach			
2a	Of which BSC approach	765,517,869	772,589,756	61,241,430
3	Of which IRB approach			
4	Counterparty credit risk	**1,183,053**	**1,049,552**	**94,644**
5	Of which SA-CCR			
5a	Of which CEM	667,978	592,664	53,438
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	**45,200,729**	**44,465,942**	**3,616,058**
20	Of which BIA approach	45,200,729	44,465,942	3,616,058
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	**571,448**	**561,536**	**45,716**
24b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital	571,448	561,536	45,716
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	**811,330,203**	**817,543,714**	**64,906,416**

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

4. 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 2018 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 of items				
	Carrying values as reported in published financial statement (USD)	Carrying values under scope of regulatory consolidation (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)	not subject to capital requirements or subject to deduction from capital (USD)
Assets							
Cash and balances with banks and other financial institutions	31,007,670		31,007,670	-	-	-	-
Trading assets	764,888		-	764,888	-	-	-
Loans and advances to customers	749,631,822		749,631,822	-	-	-	-
Available-for-sale financial assets	30,406,301		30,406,301	-	-	-	-
Property, plant and equipment	2,373,931		2,373,931	-	-	-	-
Deferred tax assets	412,749		-	-	-	-	412,749
Other assets	15,832,979		15,832,979	-	-	-	-
Total assets	830,430,340		829,252,703	764,888	-	-	412,749

4. 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)

<table>
<tr><th></th><th>(a)</th><th>(b)</th><th>(c)</th><th>(d)</th><th>(e)</th><th>(f)</th><th>(g)</th></tr>
<tr><th rowspan="2"></th><th rowspan="2">Carrying values as reported in published financial statement (USD)</th><th rowspan="2">Carrying values under scope of regulatory consolidation (USD)</th><th colspan="5">Carrying values of items</th></tr>
<tr><th>subject to credit risk framework (USD)</th><th>subject to counterparty credit risk framework (USD)</th><th>subject to securitization framework (USD)</th><th>subject to market risk framework (USD)</th><th>not subject to capital requirements or subject to deduction from capital (USD)</th></tr>
<tr><td>Liabilities</td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr>
<tr><td>Deposits and balances from banks and other financial institutions</td><td colspan="2">269,518,505</td><td>-</td><td>-</td><td>-</td><td>-</td><td>269,518,505</td></tr>
<tr><td>Deposits from customers</td><td colspan="2">102,620,243</td><td>-</td><td>-</td><td>-</td><td>-</td><td>102,620,243</td></tr>
<tr><td>Deposits from fellow subsidiaries</td><td colspan="2">121,877,128</td><td>-</td><td>-</td><td>-</td><td>-</td><td>121,877,128</td></tr>
<tr><td>Loans from ultimate holding company</td><td colspan="2">38,234,095</td><td>-</td><td>-</td><td>-</td><td>-</td><td>38,234,095</td></tr>
<tr><td>Current taxation</td><td colspan="2">938,166</td><td>-</td><td>-</td><td>-</td><td>-</td><td>938,166</td></tr>
<tr><td>Other liabilities</td><td colspan="2">23,221,357</td><td>-</td><td>-</td><td>-</td><td>-</td><td>23,221,357</td></tr>
<tr><td>Liabilities</td><td colspan="2">556,409,494</td><td>-</td><td>-</td><td>-</td><td>-</td><td>556,409,494</td></tr>
</table>

4. 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 2018 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	**Asset carrying value amount under scope of regulatory consolidation (as per template LI1)**	**830,017,591**	**829,252,703**	**-**	**764,888**	**-**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-	-	-	-	-
3	Total net amount under regulatory scope of consolidation	830,017,591	829,252,703	-	764,888	-
4	Off-balance sheet amounts	38,603,026	4,168,513	-	-	-
5	*Differences due to consideration of provisions*	-	825,720	-	-	-
6	*Differences due to potential exposure for counterparty credit risk*	-	-	-	2,575,000	-
7	**Exposure amounts considered for regulatory purposes**	**868,620,617**	**834,246,936**	**-**	**3,339,888**	**-**

4. Linkages between financial statements and regulatory exposures (Continued)

Table LIA: Explanations of differences between accounting and regulatory exposure amounts as at 31 March 2018

(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 individual impairment allowances and collective impairment allowances, whereas for regulatory reporting, the exposure amount reported represents the carrying value after netting individual impairment allowances, but before deducting collective 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.

4. Linkages between financial statements and regulatory exposures (Continued)

Table LIA: Explanations of differences between accounting and regulatory exposure amounts as at 31 March 2018 (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.

4. Linkages between financial statements and regulatory exposures (Continued)

Table LIA: Explanations of differences between accounting and regulatory exposure amounts as at 31 March 2018 (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

4. Linkages between financial statements and regulatory exposures (Continued)

Table LIA: Explanations of differences between accounting and regulatory exposure amounts as at 31 March 2018 (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 securities

These instruments are valued based on quoted market prices from an exchange or dealer price quotation, where available.

5. Credit Risk for non-securitization exposures

<u>Table CRA: General information about credit risk</u>

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 policy to define the credit extension 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 guidelines issued by the HKMA with respect to large exposures and provisioning requirements.

The Board of Director ("the Board") has delegated 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 counterparties, setting credit limits for counterparties, countries and industry sectors, and obtaining collaterals where appropriate. In evaluating the credit risk associated with an individual customer or counterparty, financial strength and repayment ability are always the primary considerations. Credit risk may be mitigated by obtaining collaterals from the customer or counterparty. Actual credit exposures and limits 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.

5. 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 on a regular basis. The Company also has limits for exposures to borrowers and groups of borrowers, regardless of whether the exposure is in the form of loans or non-funded exposures. The Company also has a review process that ensures the proper level of review and approval depending on the size 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 lending 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 does not provide any other guarantees which would expose the Company to credit risk.

5. 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 changes in geographic, economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is material in relation to the Company's total exposures. The Company is vigilant about credit risk concentration and has been setting credit limit for counterparties, countries and industry sectors.

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 2018:

		(a)	(b)	(c)	(d)
		Gross carrying amounts of			
		Defaulted exposures (USD)	Non-defaulted exposures (USD)	Allowances / Impairments (USD)	Net values (USD)
1	Loans	4,984,872	749,019,930	3,525,267	750,479,535
2	Debt securities	-	30,406,301		30,406,301
3	Off-balance sheet exposures	-	38,603,026		38,603,026
4	***Total***	***4,984,872***	***818,029,257***	***3,525,267***	***819,488,862***

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

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

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

5. 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 2018 respectively:

		(a)
		Amount (USD)
1	**Defaulted loans and debt securities at end of the previous reporting (30 September 2017)**	4,776,605
2	Loans and debt securities that have defaulted since the last reporting period	442,344
3	Returned to non-defaulted status	(80,198)
4	Amounts written off	(151,285)
5	Other changes	(2,594)
6	**Defaulted loans and debt securities at end of the current reporting period (31 March 2018)**	***4,984,872***

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 recognised in respect of loans and receivables, which are measured at amortised 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 recognised in the statement of profit or loss.

5. 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 2018:

	Amount (USD)
Transport and transport equipment	155,972,289
Manufacturing	93,052,011
Others	268,943,458
Individuals	305,046,371
Total	***823,014,129***

(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 2018:

	Amount (USD)
Hong Kong	816,934,592
Others	6,079,537
Total	***823,014,129***

(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 2018:

	Amount (USD)
No later than 1 year	366,451,040
1-5 years	430,165,163
Over 5 years	26,397,926
Total	***823,014,129***

5. 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 2018:

	Impaired Exposures (USD)	Allowances (USD)	Write-offs (USD)	Total (USD)
Loans	4,872,391	3,525,267	-	1,347,124
Debt securities	-	-	-	-
Off-balance sheet items	-	-	-	-
Total	***4,872,391***	***3,525,267***	***-***	***1,347,124***

	Impaired loans and advances (USD)	Individual assessed allowances (USD)	Advances written off during the period (USD)
Manufacturing	2,624,965	2,337,856	48,774
Wholesale and retail trade	810,857	341,018	-
Transport and transport equipment	412,979	412,827	14,126
Others	361,293	174,192	7,798
Individuals	662,297	259,374	87,596
Total	***4,872,391***	***3,525,267***	***158,294***

	(USD)
Hong Kong	4,872,391
Mainland China	-
Others	-
Total	***4,872,391***

(6) Aging Analysis of Accounting Past Due Exposures

The following table illustrates the aging analysis of accounting past due exposures as at 31 March 2018:

	Amount (USD)
Six months or less but over three months	354,505
One year or less but over six months	766,344
Over one year	3,840,265
Total	***4,961,114***

5. 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 2018:

	Impaired (USD)	Not impaired (USD)	Total (USD)
Restructured exposures	15,580	45	15,625

Table CRC: Qualitative disclosures related to credit risk mitigation

In evaluating the credit risk associated with an individual customer or counterparty, financial strength and repayment ability are always the primary considerations. Credit risk may be mitigated by obtaining recognized collateral and guarantees 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, equipment 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 Credit Committee, in which guidelines and collateral valuation parameters are subject to regular reviews to ensure their 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 at least annually. Marketable securities are marked-to-market on a daily basis whilst valuations on properties are reviewed periodically.

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.

The description of collaterals for each class of financial asset is set out below:

(i) Cash and balances with banks and other financial institutions, trading assets, loans and advances to banks and other financial institutions and available-for-sale financial assets

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

Table CRC: Qualitative disclosures related to credit risk mitigation (Continued)

Collateral is generally not sought for these assets.

(ii) Loans and advances to customers, contingent liabilities and commitments

Certain advances to customers, contingent liabilities and commitments are typically collateralized to a substantial extent. The Company considers the collaterals it has taken as sufficient against its exposures.

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 2018:

		(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	737,591,479	12,888,056	-	12,888,056	-
2	Debt securities	30,406,301	-	-	-	-
3	***Total***	**767,997,780**	**-**	**-**	**-**	**-**
4	*Of which defaulted*	*4,814,945*	*169,927*	-	*169,927*	**-**

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.

5. 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 2018:

		(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	43,294,357	-	43,294,357	-	3,040,630	7.02%
2	PSE exposures	-	-	-	-	-	0.00%
3	Multilateral development bank exposures	-	-	-	-	-	0.00%
4	Bank exposures	31,009,939	-	31,009,939	-	6,201,988	20.00%
5	Cash items	637	-	637	-	-	0.00%
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	0.00%
7	Residential mortgage loans	653,730	-	653,730	-	326,865	50.00%
8	Other exposures	755,119,761	296,103,026	755,119,761	4,168,513	755,948,386	99.56%
9	Significant exposures to commercial entities	-	-	-	-	-	0.00%
10	**Total**	830,078,424	296,103,026	830,078,424	4,168,513	765,517,869	91.76%

5. 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 2018:

(USD)

		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	Exposure class / Risk Weight	0%	10%	20%	35%	50%	100%	250%	Others	Total credit risk exposures amount (post CCF and post CRM)
1	Sovereign exposures	12,888,056	30,406,301	-	-	-	-	-	-	43,294,357
2	PSE exposures	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-		-
4	Bank exposures	-	-	31,009,939	-	-	-	-	-	31,009,939
5	Cash items	637	-	-	-	-	-	-	-	637
6	Exposures in respect of failed delivery on transactions entered into on a basis other than a delivery-versus-payment basis	-	-	-	-	-	-	-	-	-
7	Residential mortgage loans	-	-	-	-	653,730	-	-	-	653,730
8	Other exposures	-	-	4,168,513	-	-	755,119,761	-	-	759,288,274
9	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-
10	**Total**	12,888,693	30,406,301	35,178,452	-	653,730	755,119,761	-	-	834,246,937

6. 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.

6. 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 2018:

		(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	764,888	2,575,000		-	3,339,888	667,978
2	IMM (CCR) approach			-	-	-	-
3	Simple Approach (for SFTs)					-	-
4	Comprehensive Approach (for SFTs)					-	-
5	VaR (for SFTs)					-	-
6	**Total**						667,978

6. 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 2018:

		(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	3,339,888	515,075
4	Total	**3,339,888**	**515,075**

6. 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 2018, other than those to CCPs, in respect of derivative contracts and SFTs that are subject to the BSC approach, by asset classes and risk-weights, irrespective of the approach used to determine the amount of default risk exposures:

(USD)

		(a)	(b)	(c)	(ca)	(d)	(f)	(ga)	(h)	(i)
	Exposure class / Risk Weight	0%	10%	20%	35%	50%	100%	250%	Others	Total default risk exposure after CRM
1	Sovereign exposures	-	-	-	-	-	-	-	-	-
2	PSE exposures	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	3,339,888	-	-	-	-	-	3,339,888
5	CIS exposures	-	-	-	-	-	-	-	-	-
6	Other exposures	-	-	-	-	-	-	-	-	-
7	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-
8	**Total**	-	-	3,339,888	-	-	-	-	-	3,339,888

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 2018 in respect of derivative contracts or SFTs entered into, including contracts or transactions cleared through a CCP:

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

As of 31 March 2018, 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 2018.

Template CCR8: Exposures to CCPs

The Company does not have such exposures as at 31 March 2018.

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

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

7. Securitization exposures

No securitization exposures disclosure as at 31 March 2018.

8. Market risk

During the year ended 31 March 2018, 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.