

ORIX Asia Limited

Regulatory Disclosure Statement for the quarter ended 31 December 2018 (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 2018 and for the nine months ended 31 December 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.

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 Dec 2018	30 Sep 2018	30 Jun 2018	31 Mar 2018	31 Dec 2017
Regulatory capital (amount)						
1	Common Equity Tier 1 (CET1)	268,837,022	268,799,481	266,624,479	264,285,046	262,909,486
2	Tier 1	268,837,022	268,799,481	266,624,479	264,285,046	262,909,486
3	Total capital	277,459,661	277,747,078	275,778,051	273,862,369	272,574,266
RWA (amount)						
4	Total RWA	739,899,656	765,851,950	778,230,519	811,330,203	817,543,714
Risk-based regulatory capital ratios (as a percentage of RWA)						
5	CET1 ratio (%)	36.3343%	35.0981%	34.2603%	32.5743%	32.1585%
6	Tier 1 ratio (%)	36.3343%	35.0981%	34.2603%	32.5743%	32.1585%
7	Total capital ratio (%)	37.4996%	36.2664%	35.4366%	33.7547%	33.3406%
Additional CET1 buffer requirements (as a percentage of RWA)						
8	Capital conservation buffer requirement (%)	1.875%	1.875%	1.875%	1.875%	1.25%
9	Countercyclical capital buffer requirement (%)	1.8310%	1.8306%	1.8279%	1.8379%	1.2226%
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 (%)	3.7060%	3.7056%	3.7029%	3.7129%	2.4726%
12	CET1 available after meeting the AI's minimum capital requirements (%)	27.9996%	26.7664%	25.9365%	24.2548%	23.8406%
Basel III leverage ratio						
13	Total leverage ratio (LR) exposure measure	754,173,682	776,412,560	789,291,858	827,544,155	830,899,880
14	LR (%)	35.65%	34.62%	33.78%	31.94%	31.64%
Liquidity Maintenance Ratio (LMR)- applicable to category 2 institution only:						
17a	LMR (%)	53.56%	55.94%	51.21%	66.33%	47.79%

C. Leverage Ratio

Template LR2: Leverage Ratio

The detailed composition of the Company's leverage ratio as at 31 December 2018 and 30 September 2018 is set out below.

		(a)	(b)
		HK\$'000	
		31 Dec 2018	30 Sep 2018
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	5,911,829	6,081,259
2	Less: Asset amounts deducted in determining Tier 1 capital	(59,293)	(64,691)
3	Total on-balance sheet exposures (excluding derivative contracts and SFTs)	5,852,536	6,016,568
Exposures arising from derivative contracts			
4	Replacement cost associated with all derivative contracts (where applicable net of eligible cash variation margin and/or with bilateral netting)	2,198	
5	Add-on amounts for PFE associated with all derivative contracts	20,157	20,127
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework		
7	Less: Deductions of receivables assets for cash variation margin provided under derivative contracts		
8	Less: Exempted CCP leg of client-cleared trade exposures		
9	Adjusted effective notional amount of written credit derivative contracts		
10	Less: Adjusted effective notional offsets and add-on deductions for written credit derivative contracts		
11	Total exposures arising from derivative contracts		
Exposures arising from SFTs			
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions		
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets		
14	CCR exposure for SFT assets		
15	Agent transaction exposures		
16	Total exposures arising from SFTs		
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	272,229	302,020
18	Less: Adjustments for conversion to credit equivalent amounts	(243,523)	(270,118)
19	Off-balance sheet items	28,706	31,902
Capital and total exposures			
20	Tier 1 capital	2,104,430	2,100,991
20a	Total exposures before adjustments for specific and collective provisions	5,903,597	6,068,597
20b	Adjustments for specific and collective provisions	-	-
21	Total exposures after adjustments for specific and collective provisions	5,903,597	6,068,597
Leverage ratio			
22	Leverage ratio	35.65%	34.62%

D. 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 31 December 2018 and 30 September 2018 respectively:

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31 Dec 2018 (USD)	30 Sep 2018 (USD)	31 Dec 2018 (USD)
1	Credit risk for non-securitization exposures	691,986,637	718,234,444	55,358,931
2	Of which STC approach			
2a	Of which BSC approach	691,986,637	718,234,444	55,358,931
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	571,167	515,000	45,693
7	Of which SA-CCR*			
7a	Of which CEM	571,167	515,000	45,693
8	Of which IMM(CCR) approach			
9	Of which others			
10	CVA risk	442,300	398,225	35,384
11	Equity positions in banking book under the simple risk-weight method and internal models method			
12	Collective investment scheme (“CIS”) exposures – LTA*			
13	CIS exposures – MBA*			
14	CIS exposures – FBA*			
14a	CIS exposures – combination of approaches*			
15	Settlement risk			
16	Securitization exposures in banking book			
17	Of which SEC-IRBA			
18	Of which SEC-ERBA			
19	Of which SEC-SA			
19a	Of which SEC-FBA			
20	Market risk			
21	Of which STM approach			
22	Of which IMM approach			
23	Capital charge for switch between exposures in trading book and banking book (not applicable before the revised market risk framework takes effect)*			
24	Operational risk	46,899,552	46,704,281	3,751,964
25	Amounts below the thresholds for deduction (subject to 250% RW)			
26	Capital floor adjustment			
26a	Deduction to RWA			
26b	Of which portion of regulatory reserve for general banking risks and collective provisions which is not included in Tier 2 Capital			
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	739,899,656	765,851,950	59,191,972