KEXIM ASIA LIMITED

A wholly owned subsidiary of The Export-Import Bank of Korea

Regulatory Disclosures

December 2019

KEXIM ASIA LIMITED

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KEXIM ASIA LIMITED

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Table OVA: Overview of risk management

The Company has established policies and procedures to identify and analyse the risks, to set appropriate risk limits and controls, and to monitor the risks and limits continually by means of reliable and up-to-date management and information systems. The Company continually modifies and enhances its risk management policies and 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 procedure.

The Company is committed to high standards of corporate governance, and has fully complied throughout the year with the guideline in the Supervisory Policy Manual CG-1 "Corporate Governance of Locally Incorporated Authorised Institutions" issued by the HKMA.

Board committees

The board of directors has established a number of committees including the Credit Committee and Risk Management Committee.

Credit Committee

The Credit Committee is responsible for assisting the Board to formulate the Company's risk appetite and strategies for managing the credit risk. It is also responsible for the implementation and maintenance of the Company's credit risk management framework. It also participates in evaluating large credit applications and making credit decisions. The Committee comprised the Deputy Managing Director and the Senior Manager.

Risk Management Committee

The Risk Management Committee is responsible for reviewing all risks assumed in the course of business. Its review covers, but is not limited to, the market, liquidity, credit, country, legal, reputational, strategic and operational risks as well as the limits, policies and procedures designed to mitigate these risks. It also reviews the risks outstanding and controls over, new products proposed.

The Risk Management Committee is coordinated by the Deputy Managing Director who reports to the Managing Director and to the ultimate holding company. The responsibilities of the Risk Management Committee include:

- Understand fully the nature of risks considered significant to the Company and to ensure that the necessary steps are taken to identify, measure and control these risks;
- Ensure that appropriate policies and procedures, controls, and risk monitoring systems are in place and that accountability and lines of authority are set out clearly and well communicated;
- Establish and communicate guidelines and standards for managing the Company's risks;
- Implement strategies in a manner that limits risks associated with the Company's business and ensures compliance with laws and regulations;
- Oversee the asset and liability structure of the Company and ensure that the Company has sufficient liquidity to meet its short-term funding needs; and

Table OVA: Overview of risk management (continued)

- Construct, implement, and oversee strategies to ensure they are consistent with the Asset/Liability Management objectives. The strategies should take into consideration the economic, competitive and regulatory conditions.

Financial risk management
Information about the Company's exposure to and its management and control of risks, in particular, the primary risks associated with its use of financial instruments:

Credit risk: Loss resulting from customer or counterparty default which arises on credit exposure in all forms, including settlement risk.

Credit risk management
This category includes credit and counterparty risk from loans and advances, issuer risk from the securities business, counterparty risk from trading activities and country risk. The Company identifies and manages this risk through its (a) target market definitions, (b) credit approval process, (c) post-disbursement monitoring and (d) remedial management procedures. Details of credit risk management can be found in Table CRA.

Market risk: Risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Comprises currency risk, interest rate risk and other price risk.

Market risk management
Market risk arises on all market risk sensitive financial instruments, including securities, and derivative instruments, as well as from financial or structural positions. The objective of market risk management is to avoid excessive exposure of earnings and equity to loss and to reduce the Company's exposure to the volatility inherent in financial instruments.

The Risk Management Committee monitors market risk. The board articulates the interest rate view of the Company and decides on future business strategy with respect to interest rates. It also reviews and sets funding policy and ensures adherence to risk management objectives.

Derivative instruments are also used to manage the Company's own exposures to market risk as part of its asset and liability management process. The principal derivative instruments used by the Company are interest rate and foreign exchange contracts, which are primarily over-the-counter derivatives.

Liquidity and funding risk: 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.

Liquidity risk management
The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalise on opportunities for business expansion. This includes the Company's ability to meet any deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to comply with the statutory liquidity ratio, and to make new loans and investments as opportunities arise.

Table OVA: Overview of risk management (continued)

Liquidity is managed on a daily basis by a senior manager under the direction of the management. The senior manager is responsible for ensuring that the Company has adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches and to prevent price and reinvestment rate risk in case of a maturity gap, and monitoring local and international markets for the adequacy of funding and liquidity.

The Company manages liquidity risk by holding sufficient liquid assets (e.g. cash and bank balances and securities) of appropriate quality to ensure that short-term funding requirements are covered within prudent limits. The Company regularly stress tests its liquidity position.

Operational risk: Risk arising from matters such as non-adherence to systems and procedures or from frauds resulting in financial or reputation loss.

Operational risk management

Operational risk is the risk arising from failures in internal processes and supporting systems or from external events.

The Company has policies for each major area of operations, which are drawn up by experienced executives after taking into account the important factors affecting such transactions. Based on the policies, limits for overall and individual market risks are approved by the management.

Strict control is exercised to ensure due adherence to policies and limits. For this purpose, an internal audit system is in place to ensure that the directives of all authorities are implemented.

The Company attaches great importance to conducting its business in a safe and sound manner such that strict control is exercised at every level. Senior executives have been entrusted with the responsibility for particular areas of operations. They are well supported by experienced middle management and frontline staff. This system operates through the Company. The Managing Director is deeply involved in the affairs of the Company and is the final authority for all the major lending and administrative decisions.

Stress Testing

Stress testing is an integral part of our risk management process, and includes both sensitivity analysis and scenario analysis. Stress testing is conducted at least once annually. This related to regulatory and internal stress test over the whole portfolio and risk types. Every stress test is documented and results are discussed at the relevant risk committees.

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Template KM1: Key prudential ratios

		31-Dec-19	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18
		USD	USD	USD	USD	USD
		(a)	(b)	(c)	(d)	(e)
		T	T-1	T-2	T-3	T-4
	Regulatory capital (amount)					
1	Common Equity Tier 1 (CET1)	60,466,167	59,471,757	68,287,582	56,917,579	54,766,104
2	Tier 1	60,466,167	59,471,757	68,287,582	56,917,579	54,766,104
3	Total capital	78,244,639	77,273,935	76,149,632	74,642,223	72,454,703
	RWA (amount)					
4	Total RWA	377,673,203	378,954,362	389,605,967	391,666,707	374,062,519
	Risk-based regulatory capital ratios (as a percentage of RWA)					
5	CET1 ratio (%)	16.01%	15.69%	14.96%	14.53%	14.64%
6	Tier 1 ratio (%)	16.01%	15.69%	14.96%	14.53%	14.64%
7	Total capital ratio (%)	20.72%	20.39%	19.55%	19.06%	19.37%
	Additional CET1 buffer requirements (as a percentage of RWA)					
8	Capital conservation buffer requirement (%)	2.500%	2.500%	2.500%	2.500%	1.875%
9	Countercyclical capital buffer requirement (%)	0.123%	0.066%	0.033%	0.055%	0.029%
10	Higher loss absorbency requirements (%) (applicable only to G-SIBs or D-SIBs)	0.000%	0.000%	0.000%	0.000%	0.000%
11	Total AI-specific CET1 buffer requirements (%)	2.623%	2.566%	2.533%	2.555%	1.904%
12	CET1 available after meeting the AI's minimum capital requirements (%)	8.51%	8.19%	7.46%	6.41%	7.14%
	Basel III leverage ratio					
13	Total leverage ratio (LR) exposure measure	437,959,396	443,967,856	456,143,641	443,601,819	423,947,317
14	LR (%)	13.81%	13.40%	12.78%	12.82%	12.92%
	Liquidity Coverage Ratio (LCR) / Liquidity Maintenance Ratio (LMR)					
	Applicable to category 1 institution only:					
15	Total high quality liquid assets (HQLA)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
16	Total net cash outflows	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
17	LCR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Applicable to category 2 institution only:					
17a	LMR (%)	108.94%	120.64%	226.59%	128.71%	145.76%
	Net Stable Funding Ratio (NSFR) / Core Funding Ratio (CFR)					
	Applicable to category 1 institution only:					
18	Total available stable funding	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
19	Total required stable funding	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
20	NSFR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
	Applicable to category 2A institution only:					
20a	CFR (%)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable

Template OV1: Overview of RWA

		(a)	(b)	(c)
		RWA		Minimum capital requirements
		31-Dec-19	30-Sep-19	31-Dec-19
		USD	USD	USD
		T	T-1	T
1	Credit risk for non-securitization exposures	362,060,053	365,298,554	28,964,804
2	Of which STC approach			
2a	Of which BSC approach	362,060,053	365,298,554	28,964,804
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	5,592,058	4,065,301	447,365
7	Of which SA-CCR*	Not applicable	Not applicable	Not applicable
7a	Of which CEM			
8	Of which IMM(CCR) approach			
9	Of which others	5,592,058	4,065,301	447,365
10	CVA risk			
11	Equity positions in banking book under the simple risk-weight method and internal models method			
12	Collective investment scheme ("CIS") exposures – LTA*	Not applicable	Not applicable	Not applicable
13	CIS exposures – MBA*	Not applicable	Not applicable	Not applicable
14	CIS exposures – FBA*	Not applicable	Not applicable	Not applicable
14a	CIS exposures – combination of approaches*	Not applicable	Not applicable	Not applicable
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)*	Not applicable	Not applicable	Not applicable
24	Operational risk	10,021,092	9,590,507	801,687
24a	Sovereign concentration risk*			
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	377,673,203	378,954,362	30,213,856

1. Items marked with an asterisk (*) will be applicable only after their respective policy frameworks take effect. Until then, "Not applicable" should be

Explanation of significant drivers behind differences in reporting periods T and T-1.
Credit exposures increase is due to an increase in loans and advances to customers and and to banks and other financial institutions.

When minimum capital requirements in column (c) do not correspond to 8% of RWA in column (a), the AI must explain the adjustment made.
Not applicable.

If the AI uses the internal models method under the market-based approach to calculate its equity exposures in the banking book pursuant to the BCR, it should provide a description of its internal models used in an accompanying narrative.
KEXIM Asia Limited uses Basic approach to measure equity exposures in the banking book. The internal models method under the market-based approach does not apply.

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Template PV1: Prudent valuation adjustments

	As at 31 December 2019							
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
USD	Equity	Interest rates	FX	Credit	Commodities	Total	Of which: In the trading book	Of which: In the banking book
Close-out uncertainty, of which:	-	-	-	-	-	-	-	-
Mid-market value	-	-	-	-	-	-	-	-
Close-out costs	-	-	-	-	-	-	-	-
Concentration	-	-	-	-	-	-	-	-
Early termination	-	-	-	-	-	-	-	-
Model risk	-	-	-	-	-	-	-	-
Operational risks	-	-	-	-	-	-	-	-
Investing and funding costs						-	-	-
Unearned credit spreads						-	-	-
Future administrative costs	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-
Total adjustments	-	-	-	-	-	-	-	-

The Company has basically considered close-out uncertainty, model risk and unearned credit spreads in valuation. Assessment of valuation adjustment attributed to early termination, operational risks, investing and funding costs and future administrative costs is not performed.

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

	As at 31 December 2019						
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
			Carrying values of items:				
USD	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	subject to credit risk framework	subject to counterparty credit risk framework	subject to the securitization framework	subject to market risk framework	not subject to capital requirements or subject to deduction from capital
Assets							
Cash and balances with banks and other financial institutions	5,770,310	5,770,310	5,770,310				
Loans and advances to banks and others financial institutions	35,164,741	35,164,741	35,164,741				
Loans and advances to customers	234,624,387	234,624,387	234,624,387				
Investment securities	152,678,700	152,678,700	152,678,700				
Property, plant and equipment	1,051,168	1,051,168	1,051,168				
Deferred tax assets	66,746	66,746	-				66,746
Other assets	2,219,038	3,706,203	3,706,203				
Total Assets	431,575,090	433,062,256	432,995,509	-	-	-	66,746
Liabilities							
Deposits and balances from banks and other financial institutions	200,309,409	200,309,409					
Current taxation	63,372	63,372					
Borrowings from immediate holding company	121,031,194	121,031,194					
Borrowings from other financial institutions	30,000,000	30,000,000					
Subordinated liabilities	14,982,056	14,982,056					
Other liabilities	2,744,094	2,744,094					
Total Liabilities	369,130,125	369,130,125	-	-	-	-	-

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

As at 31 December 2019

	USD	(a) Total	(b) Items subject to: credit risk framework	(c) Items subject to: securitization framework	(d) Items subject to: counterparty credit risk framework	(e) Items subject to: market risk framework
1	Asset carrying value amount under scope of regulatory consolidation (as per template LI1)	432,995,509	432,995,509			
2	Liabilities carrying value amount under regulatory scope of consolidation (as per template LI1)	-				
3	Total net amount under regulatory scope of consolidation	432,995,509	432,995,509	-	-	-
4	Off-balance sheet amounts	8,750,000	3,250,000			
5	*Differences in valuations*	(69,109,876)	(69,109,876)			
6	*Differences due to different netting rules, other than those already included in row 2*					
7	*Differences due to consideration of provisions*					
8	*Differences due to prudential filters*					
9	Exposure amounts considered for regulatory purposes	372,635,633	367,135,633	-	-	-

Table LIA: Explanations of differences between accounting and regulatory exposure amounts

The following table describes the sources of differences from financial statements amounts to regulatory exposure amounts, as displayed in templates LI1 and LI2:

(a) Differences between the amounts in columns (a) and (b) in template LI1

The basis of consolidation for regulatory purposes is different from the basis of consolidation for accounting purposes. Subsidiaries included in consolidation for regulatory purposes are specified in a notice from the HKMA in accordance with Section 3C of the Capital Rules. Subsidiaries not included in consolidation for regulatory purposes are non-financial companies and the securities and insurance companies that are authorised and supervised by a regulator and are subject to supervisory arrangements regarding the maintenance of adequate capital to support business activities comparable to those prescribed for authorized institutions under the Capital Rules and the Banking Ordinance.

(b) The main drivers for the differences between accounting values and amounts considered for regulatory purposes shown in template LI2

The differences are mainly attributable to the following factors:

- The carrying values reported in the financial statement are after deduction of collective and individual impairment allowances while the exposure amounts for regulatory purposes are before deducting impairment allowances (except for exposures under Standardised Approach of credit risk from which individual impairment allowances made against the exposures are deducted);

- The exposure amounts for regulatory purposes are after the adjustment for the capital effect of recognized credit risk mitigation on the principal amounts;

- Counterparty credit risk exposures for regulatory purposes consist of both the current exposures and the potential exposures which are derived by applying the credit conversion factor (CCF) to the notional principal of the transactions or contracts.

(c) Systems and controls applied to assets valuation

In order to ensure that the valuation estimates are prudent and reliable, the Company has implemented the following valuation processes and methodologies:

Estimation of fair values

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 - Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2 - Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Table LIA: Explanations of differences between accounting and regulatory exposure amounts (continued)

Level 3 - Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments the Company determines fair values using valuation techniques.

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices 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.

The Company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate swaps and currency swap 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, exchange traded derivatives and simple over-the-counter (OTC) derivatives like interest rate swaps and currency swap. 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.

These techniques involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experiences and other factors. Changes in assumptions could significantly affect these estimates and the resulting fair values. Derived fair value estimates cannot necessarily be substantiated by comparison to independent markets and, in many cases, could not be realised in an immediate sale of the instruments.

Template CC1: Composition of regulatory capital

As at 31 December 2019		(a) USD	(b) Cross-referenced to Template CC2 Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	CET1 capital: instruments and reserves		
1	Directly issued qualifying CET1 capital instruments plus any related share premium	30,000,000	[7]
2	Retained earnings	31,883,955	[8] + [9] + [13]
3	Disclosed reserves	597,057	[11]
4	*Directly issued capital subject to phase-out arrangements from CET1 (only applicable to non-joint stock companies)*	Not applicable	Not applicable
5	Minority interests arising from CET1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in CET1 capital of the consolidation group)	-	
6	**CET1 capital before regulatory deductions**	62,481,012	
	CET1 capital: regulatory deductions		
7	Valuation adjustments	-	
8	Goodwill (net of associated deferred tax liabilities)	-	
9	Other intangible assets (net of associated deferred tax liabilities)	-	
10	Deferred tax assets (net of associated deferred tax liabilities)	165,260	[4] - [12]
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	-	

Template CC1: Composition of regulatory capital *(continued)*

As at 31 December 2019		(a) USD	(b) Cross-referenced to Template CC2 Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
15	Defined benefit pension fund net assets (net of associated deferred tax liabilities)	-	
16	Investments in own CET1 capital instruments (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in CET1 capital instruments	-	
18	Insignificant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
19	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
20	Mortgage servicing rights (net of associated deferred tax liabilities)	Not applicable	Not applicable
21	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	Not applicable	Not applicable
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	1,860,585	(13)
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	1,860,585	(13)
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	-	

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Template CC1: Composition of regulatory capital *(continued)*

As at 31 December 2019		(a) USD	(b) Cross-referenced to Template CC2 Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
26e	Capital shortfall of regulated non-bank subsidiaries	-	
26f	Capital investment in a connected company which is a commercial entity (amount above 15% of the reporting institution's capital base)	-	
27	Regulatory deductions applied to CET1 capital due to insufficient AT1 capital and Tier 2 capital to cover deductions	-	
28	**Total regulatory deductions to CET1 capital**	2,015,845	
29	**CET1 capital**	60,465,167	
	AT1 capital: instruments		
30	Qualifying AT1 capital instruments plus any related share premium	-	-
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	*Capital instruments subject to phase-out arrangements from AT1 capital*	-	
34	AT1 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in AT1 capital of the consolidation group)	-	
35	*of which: AT1 capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
36	**AT1 capital before regulatory deductions**	-	
	AT1 capital: regulatory deductions		
37	Investments in own AT1 capital instruments	-	
38	Reciprocal cross-holdings in AT1 capital instruments	-	

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Template CC1: Composition of regulatory capital *(continued)*

	As at 31 December 2019	(a) USD	(b) Cross-referenced to Template CC2 Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
39	Insignificant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	-	
40	Significant LAC investments in AT1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
41	National specific regulatory adjustments applied to AT1 capital	-	
42	Regulatory deductions applied to AT1 capital due to insufficient Tier 2 capital to cover deductions	-	
43	**Total regulatory deductions to AT1 capital**	-	
44	**AT1 capital**	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	60,465,167	
	Tier 2 capital: instruments and provisions		
46	Qualifying Tier 2 capital instruments plus any related share premium	15,000,000	[6]
47	*Capital instruments subject to phase-out arrangements from Tier 2 capital*	-	
48	Tier 2 capital instruments issued by consolidated bank subsidiaries and held by third parties (amount allowed in Tier 2 capital of the consolidation group)	-	
49	*of which: capital instruments issued by subsidiaries subject to phase-out arrangements*	-	
50	Collective provisions and regulatory reserve for general banking risks eligible for inclusion in Tier 2 capital	2,779,472	[1] + [2] + [3] + [5]+[10]+[13]
51	**Tier 2 capital before regulatory deductions**	17,779,472	
	Tier 2 capital: regulatory deductions		
52	Investments in own Tier 2 capital instruments	-	

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Template CC1: Composition of regulatory capital *(continued)*

	As at 31 December 2019	(a) USD	(b) Cross-referenced to Template CC2 Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
53	Reciprocal cross-holdings in Tier 2 capital instruments and non-capital LAC liabilities	-	
54	Insignificant LAC investments in Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation (amount above 10% threshold and, where applicable, 5% threshold)	-	
54a	Insignificant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (amount formerly designated for the 5% threshold but no longer meets the conditions) (for institutions defined as "section 2 institution" under §2(1) of Schedule 4F to BCR only)	-	
55	Significant LAC investments in Tier 2 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
55a	Significant LAC investments in non-capital LAC liabilities of financial sector entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
56	National specific regulatory adjustments applied to Tier 2 capital	-	
56a	Add back of cumulative fair value gains arising from the revaluation of land and buildings (own-use and investment properties) eligible for inclusion in Tier 2 capital	-	
56b	Regulatory deductions applied to Tier 2 capital to cover the required deductions falling within §48(1)(g) of BCR	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	17,779,472	
59	Total regulatory capital (TC = T1 + T2)	78,244,639	
60	Total RWA	377,673,203	
	Capital ratios (as a percentage of RWA)		
61	CET1 capital ratio	16.01%	
62	Tier 1 capital ratio	16.01%	
63	Total capital ratio	20.72%	

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Template CC1: Composition of regulatory capital *(continued)*

As at 31 December 2019		(a) USD	(b) Cross-referenced to Template CC2 Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
64	Institution-specific buffer requirement (capital conservation buffer plus countercyclical capital buffer plus higher loss absorbency requirements)	2.623%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: bank specific countercyclical capital buffer requirement	0.123%	
67	of which: higher loss absorbency requirement	-	
68	CET1 (as a percentage of RWA) available after meeting minimum capital requirements	8.5099%	
	National minima (if different from Basel 3 minimum)		
69	National CET1 minimum ratio	*Not applicable*	*Not applicable*
70	National Tier 1 minimum ratio	*Not applicable*	*Not applicable*
71	National Total capital minimum ratio	*Not applicable*	*Not applicable*
72	Insignificant LAC investments in CET1, AT1 and Tier 2 capital instruments issued by, and non-capital LAC liabilities of, financial sector entities that are outside the scope of regulatory consolidation	-	
73	Significant LAC investments in CET1 capital instruments issued by financial sector entities that are outside the scope of regulatory consolidation	-	
74	Mortgage servicing rights (net of associated deferred tax liabilities)	*Not applicable*	*Not applicable*
75	Deferred tax assets arising from temporary differences (net of associated deferred tax liabilities)	*Not applicable*	*Not applicable*
	Applicable caps on the inclusion of provisions in Tier 2 capital		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the BSC approach, or the STC approach and SEC-ERBA, SEC-SA and SEC-FBA (prior to application of cap)	-	
77	Cap on inclusion of provisions in Tier 2 under the BSC approach, or the STC approach, and SEC-ERBA, SEC-SA and SEC-FBA	-	

Template CC1: Composition of regulatory capital *(continued)*

		(a)	(b)
	As at 31 December 2019	USD	Cross-referenced to Template CC2 Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to the IRB approach and SEC-IRBA (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under the IRB approach and SEC-IRBA	-	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 capital instruments subject to phase-out arrangements*	*Not applicable*	*Not applicable*
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	*Not applicable*	*Not applicable*
82	*Current cap on AT1 capital instruments subject to phase-out arrangements*	-	
83	*Amount excluded from AT1 capital due to cap (excess over cap after redemptions and maturities)*	-	
84	*Current cap on Tier 2 capital instruments subject to phase-out arrangements*	-	
85	*Amount excluded from Tier 2 capital due to cap (excess over cap after redemptions and maturities)*	-	

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Notes :

Elements where a more conservative definition has been applied in the BCR relative to that set out in Basel III capital standards:

		Hong Kong basis	Basel III basis
10	Deferred tax assets (net of associated deferred tax liabilities)	165,260	165,260
	Explanation		

Remarks:
The amount of the 10% 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

Abbreviations:
CET1: Common Equity Tier 1

AT1: Additional Tier 1

Template CC2: Reconciliation of regulatory capital to balance sheet

	(a)	(b)	(c)
	Balance sheet as in published financial statements	Under regulatory scope of consolidation	Reference
	At 31 December 2019	At 31 December 2019	
Assets			
Cash and balances with banks and other financial institutions	5,770,310	5,770,310	
Loans and advances to banks	35,164,741	35,164,741	
Of which: collective impairment allowances		*33,762*	[1]
Loans and advances to customers	234,624,387	234,624,387	
Of which: collective impairment allowances		*824,217*	[2]
Investment securities	152,678,700	152,678,700	
Of which: collective impairment allowances		*1,997*	[3]
Deferred tax assets	66,746	66,746	[4]
Property, plant and equipment	1,051,168	1,051,168	
Other assets	2,219,038	2,219,038	
TOTAL ASSETS	431,575,090	431,575,090	
Equity and liabilities			
Deposits and balances from banks and other financial institutions	200,309,409	200,309,409	
Tax payable	63,372	63,372	
Other liabilities	2,744,094	2,744,094	
Of which: collective impairment allowances		*6,445*	[5]
Borrowings from the ultimate holding company	121,031,194	121,031,194	
Borrowings from other financial institutions	30,000,000	30,000,000	
Subordinated liabilities	14,982,056	14,982,056	
Of which: Subordinated liabilities		*15,000,000*	[6]
Total liabilities	369,130,125	369,130,125	
Equity			
Share capital	30,000,000	30,000,000	[7]
Reserves	32,444,965	32,444,965	
Of which: retained profits		*27,401,169*	[8]
profit for the period		*2,632,201*	[9]
other comprehensive income		*62,466*	[10]
AFS investment revaluation reserve		*597,057*	[11]
deferred tax assets		*(98,514)*	[12]
regulatory reserve		*1,850,585*	[13]
Total equity	62,444,965	62,444,965	
TOTAL EQUITY AND LIABILITIES	431,575,090	431,575,090	

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Table CCA: Main features of regulatory capital instruments

	As at 31 December 2019	(a) Quantitative / qualitative information	
		Ordinary Shares	Subordinated loan
1	Issuer	KEXIM Asia Limited	
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N.A.	
3	Governing law(s) of the instrument	Hong Kong Laws	
	Regulatory treatment		
4	Transitional Basel III rules[1]	Common Equity Tier 1	Tier 2
5	Post-transitional Basel III rules[2]	Common Equity Tier 1	Tier 2
6	Eligible at solo / group / solo and group	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares	Subordinated loan
8	Amount recognised in regulatory capital (currency in millions, as of most recent reporting date)	USD 30 million	USD 15 million
9	Par value of instrument	No par value (issued USD 30 million)	USD 15 million
10	Accounting classification	Shareholders' equity	Liability - amortised cost
11	Original date of issuance	4 March 2004	27 September 2018
12	Perpetual or dated	Perpetual	Dated
13	Original maturity date	No maturity	27 September 2028
14	Issuer call subject to prior supervisory approval	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	N.A.	27 September 2023, USD 15 million
16	Subsequent call dates, if applicable	N.A.	N.A.
	Coupons / dividends		
17	Fixed or floating dividend / coupon	Floating dividend	Floating coupon
18	Coupon rate and any related index	No	3 months US$ LIBOR + 1.6%
19	Existence of a dividend stopper	No	No
20	Fully discretionary, partially discretionary or mandatory	Fully discretionary	Mandatory
21	Existence of step-up or other incentive to redeem	No	No
22	Non-cumulative or cumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N.A.	N.A.
25	If convertible, fully or partially	N.A.	N.A.
26	If convertible, conversion rate	N.A.	N.A.
27	If convertible, mandatory or optional conversion	N.A.	N.A.
28	If convertible, specify instrument type convertible into	N.A.	N.A.
29	If convertible, specify issuer of instrument it converts into	N.A.	N.A.
30	Write-down feature	No	Yes
31	If write-down, write-down trigger(s)	N.A.	BCR Sch. 4C1.(k)
32	If write-down, full or partial	N.A.	Full or partial
33	If write-down, permanent or temporary	N.A.	N.A.
34	If temporary write-down, description of write-up mechanism	N.A.	N.A.
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument in the insolvency creditor hierarchy of the legal entity concerned).	Subordinated creditors	Senior creditors
36	Non-compliant transitioned features	No	No
37	If yes, specify non-compliant features	N.A.	N.A.

Footnote:

1 Regulatory treatment of capital instruments subject to transitional arrangements provided for in Schedule 4H to the BCR.

2 Regulatory treatment of capital instruments not subject to transitional arrangements provided for in Schedule 4H to the BCR.

The full terms and conditions of the Company's capital instruments can be found in our website, https://www.koreaexim.go.kr/site/program/board/basicboard /list?boardtypeid =362&menuid=016001005.

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

As at 31 December 2019		a	c	d	e
	Geographical breakdown by Jurisdiction (J)	Applicable JCCyB ratio in effect	RWA used in computation of CCyB ratio	AI-specific CCyB ratio (%)	CCyB amount
		(%)	Amount (USD)		
1	Hong Kong SAR	2.0000%	12,062,770		
2	United Kingdom	1.0000%	6,385,558		
	Sum [1]		18,448,328		
	Total [2]		247,967,451	0.123%	305,000

Footnote:

[1] The sum of RWAs for the private sector credit exposures in jurisdictions with a non-zero applicable CCyB ratio.

[2] *Total*: (for column (c)) total sum of the RWA for private sector credit exposures across all jurisdictions to which the AI is exposed, including jurisdictions with no applicable CCyB ratio or with applicable CCyB ratio set at zero.

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

As at 31 December 2019

	Item	(a) Value under the LR framework USD
1	Total consolidated assets as per published financial statements	431,575,090
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(26,311,611)
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	
5	Adjustment for SFTs (i.e. repos and similar secured lending)	29,611,177
6	Adjustment for off-balance sheet ("OBS") items (i.e. conversion to credit equivalent amounts of OBS exposures)	3,250,000
6a	Adjustment for specific and collective provisions that are allowed to be excluded from exposure measure	
7	Other adjustments	(165,260)
8	**Leverage ratio exposure measure**	437,959,396

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Template LR2: Leverage ratio ("LR")

		(a)	(b)
		31-Dec-19	30-Sep-19
		USD	USD
		T	T-1
On-balance sheet exposures			
1	On-balance sheet exposures (excluding those arising from derivative contracts and SFTs, but including collateral)	405,263,479	419,890,370
2	Less: Asset amounts deducted in determining Tier 1 capital	(165,260)	(135,113)
3	**Total on-balance sheet exposures (excluding derivative contracts and SFTs)**	405,098,219	419,755,257
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)	-	-
5	Add-on amounts for PFE associated with all derivative contracts	-	-
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	27,960,293	20,326,505
13	Less: Netted amounts of cash payables and cash receivables of gross SFT assets	-	-
14	CCR exposure for SFT assets	1,650,884	1,086,095
15	Agent transaction exposures	-	-
16	**Total exposures arising from SFTs**	29,611,177	21,412,600
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	8,750,000	6,500,000
18	Less: Adjustments for conversion to credit equivalent amounts	(5,500,000)	(3,700,000)
19	**Off-balance sheet items**	3,250,000	2,800,000
Capital and total exposures			
20	**Tier 1 capital**	60,465,167	59,471,767
20a	**Total exposures before adjustments for specific and collective provisions**	437,959,396	443,967,856
20b	**Adjustments for specific and collective provisions**	-	-
21	**Total exposures after adjustments for specific and collective provisions**	437,959,396	443,967,856
Leverage ratio			
22	**Leverage ratio**	13.81%	13.40%

Table LIQA: Liquidity risk management

The Company's approach to liquidity risk management is based on the building blocks of governance by framework, oversight by risk management committees, and internal control policies that define specific risk methodologies. Processes and systems are in place to measure, limit and control exposures based on the risk methodologies defined. Risk Management Committee is responsible for overseeing overall liquidity position and ensuring that there is sufficient liquidity available to meet the obligations. The Committee members meet at least on a monthly basis to review several limits set internal or statutory. Internal target liquidity ratio is established which provide early-warning signal in relation to liquidity position.

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalize on opportunities for business expansion. This included the Company's ability to meet any deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to company with statutory liquidity ratio, and to make new loans and investments as opportunities arise.

Liquidity is managed on a daily basis by a senior manager under the direction of the management and liquidity maintenance ratio. The senior manager is responsible for ensuring that the Company has adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches and to prevent price and reinvestment rate risk in case of a maturity gap, and monitoring local and international markets for the adequacy of funding and liquidity. Risk Management Committee will be promptly informed if the ratio calculated below internal target and determine appropriate course of action to restore the ratio back to or above internal target ratio.

The Company manages liquidity risk by holding sufficient liquid assets (e.g. cash and bank balances and securities) of appropriate quality to ensure that short-term funding requirements are covered within prudent limits. The Company regularly stress tests its liquidity position.

The Company of funding strategy policies on diversification in the sources and tenors of funding; and the funding strategy is decentralised.

As a majority of the Company's liquidity risk arises from the maturity mismatch gap between the Company's asset and liability portfolios, the Company manages liquidity risk by conducting cash flow analysis and projections through the regular use of the Company's management information system. These are carried out on a regular basis to identify funding needs arising from on and off balance sheet items in a specific time frame over a set of time horizons.

Table LIQA: Liquidity risk management *(continued)*

The Company does regular stress testing on various types of risk, details of stress testing are stated in "Manual for Stress – Testing". In any test scenarios and assumptions, the Company should keep total Liquid Assets with at least 10% bigger than total cash outflow within SEVEN working days. Test scenarios and risk tolerance level should be based on a reasonable assumption which are proposed by risk management committee and approved by Managing Director. Test methodological; assumption and risk tolerance level should be reviewed on demand basic or at least annually.

The contingency funding policy is designed the following situations:

1. In a warning situation where any of the liquidity and maturity mismatch ratio does not meet the target ratios in this Guideline, say, if the Tier 2 ratio falls below 25 (twenty five) percent on a day-to-day basis, the risk manager should find out the reasons and take actions deemed necessary to meet the target ratios and report to the Risk Management Committee and the Parent Bank, if necessary.

2. For diversification of funding sources, inter-bank borrowing should be diversified globally. In the event of serious liquidity crisis, the Managing Director should request an emergent assistance to the Parent Bank.

3. Contingency Plan should be tested at least annually. The test should be included but not be limited to emergency funding availability from the Parent Bank; availability of liquid assets on hand for Repo trade & etc... Test result should be documented and reviewed by management.

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Table LIQA: Liquidity risk management *(continued)*

The Company's analysis of on- and off-balance sheet items by remaining maturity and the resultant liquidity gaps as at 31 December 2019 is shown as follows:

USD	Repayable on demand	Within 1 months	Over 1 month but within 3 months	Over 3 months to 1 years	Over 1 years to 5 years	Over 5 years	Undated
Assets							
Cash and balances with bank and other financial institutions	5,770,310	-	-	-	-	-	-
Loans and advances to customers	-	-	13,436,262	100,401,148	97,674,453	23,112,524	-
Loans and advances to banks and others financial institutions	-	-	2,998,047	8,704,958	23,461,736	-	-
Investment securities	-	-	3,500,420	3,010,680	127,905,617	18,261,983	-
Other assets	-	836,395	883,342	176,791	160,560	-	1,279,864
Total on-balance sheet assets	5,770,310	836,395	20,818,071	112,293,577	249,202,366	41,374,507	1,279,864
Total off-balance sheet claims	-	2,500,000	-	1,250,000	5,000,000	-	-
Liabilities							
Deposits and balances from banks and other financial institutions	-	71,000,000	10,525,934	118,763,475	-	-	-
Derivative financial liabilities	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	14,982,056	-
Borrowings from the ultimate holding company	-	-	-	17,031,194	104,000,000	-	-
Borrowings from other financial institutions	-	-	-	30,000,000	-	-	-
Other liabilities	-	392,387	515,651	1,257,525	641,903	-	-
Total on-balance sheet liabilities	-	71,392,387	11,041,585	167,072,194	104,641,903	14,982,056	-
Total off-balance sheet claims	-	-	-	-	-	-	-
Contractual maturity mismatch	5,770,310	(68,055,992)	9,776,486	(53,528,617)	149,560,463	26,392,451	1,279,864
Cumulative contractual maturity mismatch	5,770,310	(62,285,682)	(52,509,196)	(106,037,813)	43,522,650	69,915,101	71,194,965

Table CRA: General information about credit risk

Overview

The Company has established policies and procedures to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and limits continually by means of reliable and up-to-date management and information systems. The Company continually modifies and enhances its risk management policies and 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 procedure.

This note presents information about the Company's exposure to each of the risks, the Company's objectives, policies and processes for measuring and managing risks and the Company's management

(a) Credit risk
This category includes credit and counterparty risk from loans and advances, issuer risk from the securities business, counterparty risk from trading activities and country risk. The Company identifies and manages this risk through its (a) target market definitions, (b) credit approval process, (c) post-disbursement monitoring and (d) remedial management procedures.

Corporate credit risk
The corporate lending is generally concentrated among highly rated customers. 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. 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.

The Company undertakes ongoing credit analysis and monitoring at several levels. The policies are designed to promote early detection of counterparty, industry or product exposures that require special monitoring. The Risk Management Committee monitors overall portfolio risk as well as potential problem loans on a regular basis.

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 collateral requirements as for customers applying for loans. The Company does not provide any other guarantees which would expose the Company to credit risk.

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's portfolio of financial instruments is diversified along geographic, industry and product sectors.

Maximum exposure
The maximum exposure to credit risk at the end of the reporting period without taking into consideration of any collateral held or other credit enhancements is represented by the carrying amount of each financial asset in the statement of financial position after deducting any impairment allowance.

(b) Market risk
The Company has been exempted by the Hong Kong Monetary Authority under section 22(1) of Banking (Capital) Rules from the calculation of market risk under section 17 of Banking (Capital) Rules.

(c) Operational risk
The Company adopted basic indicator approach in order to calculate the capital charges designated by the Capital Rules and calculate the risk-weighted amount accordingly.

Template CR1: Credit quality of exposures

		As at 31 December 2019						
		(a)	(b)	(c)	(d)	(e)	(f)	(g)
		Gross carrying amounts of		Allowances / impairments	Of which ECL accounting provisions for credit losses on STC approach exposures		Of which ECL accounting provisions for credit losses on IRB approach exposures	Net values (a+b-c)
USD		Defaulted exposures	Non-defaulted exposures		Allocated in regulatory category of specific provisions	Allocated in regulatory category of collective provisions		
1	Loans	-	270,856,425	857,979	-	-	-	269,998,446
2	Debt securities	-	152,680,697	1,997	-	-	-	152,678,700
3	Off-balance sheet exposures	-	8,750,000	-	-	-	-	8,750,000
4	Total	-	432,287,122	859,976	-	-	-	431,427,146

Default exposures : Borrower is more than 90 days past due on any credit obligation.

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Template CR2: Changes in defaulted loans and debt securities

	31-Dec-19
	USD
1 Defaulted loans and debt securities at end of December 2018 (1+2-3-4±5)	
2 Loans and debt securities that have defaulted since the last reporting period	
3 Returned to non-defaulted status	
4 Amounts written off	
5 Other changes	
6 Defaulted loans and debt securities at end of December 2019 (1+2-3-4±5)	-

Table CRB: Additional disclosure related to credit quality of exposures

The Company classifies the loans and advances in accordance with the loan classification system required to be adopted for reporting to the HKMA.

The credit quality of loans and advances to customers can be analysed as follows:

It includes analysis on the exposures that are "neither past due nor impaired", "past due but not impaired" and "impaired".

Gross loans and advances to customers	31-Dec-19 USD
– neither past due nor impaired	270,856,425
– past due but not impaired	-
– impaired	-
Total	270,856,425

Of which,

Gross loans and advances to customers that are neither past due nor impaired	31-Dec-19 USD
– pass	270,856,425
– special mention	-
Total	270,856,425

Also, the ageing analysis of loans and advances to customers that are past due but not impaired.

Gross loans and advances to customers that are past due but not impaired	31-Dec-19 USD
– overdue 3 months or less	-
– overdue more than 3 months	-
Total	-

Loans and advances that are past due for more than 90 days but are not impaired amounted to USD:Nil as at 31st December, 2019.

The Company has laid down guidelines for determining the impairment loss allowances.

At each of the reporting period end, the carrying amount of the Company's assets are reviewed to determine whether there is objective evidence of impairment. If internal and external sources of information indicate such evidence exists, the carrying amount is reduced to the estimated recoverable amount and an impairment loss is recognised in the income statement.

The approach and treatment of impairment allowance of different types of assets (including loans and advances, investment securities and other assets) are elaborated in the Company's impairment allowance policy.

Loans and receivables with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Company has made concessions that it would not otherwise consider.

Renegotiated loans and receivables are subject to ongoing monitoring to determine whether they remain impaired or past due. The original loan that is renegotiated is derecognised and a new financial asset is recognised at fair value if the original loan agreement is cancelled and a new agreement made on substantially different terms.

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

Additional Quantitative Disclosures related to Credit Quality of Assets
Credit risk exposure by geographical areas, industry and residual maturity

Geographical area USD	31-Dec-19
– South Korea	101,308,581
– United State	35,909,380
– Mainland China	51,353,000
– Others	243,716,161
Total	**432,287,122**

Industry USD	31-Dec-19
– Banks	110,244,643
– Non-bank private sector	
o Manufacturing	171,940,165
o Building and construction, property development and investment	7,000,000
o Electricity and gas	14,491,700
o Recreational activities	4,500,000
o Information technology	34,561,139
o Wholesale and retail trade	6,000,000
o Transport and transport equipment	32,382,999
o Financial concerns	45,552,280
o Others	5,614,195
Total	**432,287,122**

Residual maturity USD	31-Dec-19
– Up to and including one year	145,463,291
– Over one year and up to including two years	83,640,515
– Over two years	203,183,316
Total	**432,287,122**

Table CRC: Qualitative disclosures related to credit risk mitigation

Credit risk mitigation

Risk management policies are in place to mitigate credit risk. Maximum available limit is set on exposure on country and concentration risk.

The concentration exposure limit is the total credit limit to a specific borrower. The country limit is established to each country taking into consideration of sovereign risk and expected frequency of transactions with the Company.

Both limits shall be within the concentration limit of the parent company.

Credit Committee

The Credit Committee is responsible for assisting the Board to formulate the Company's risk appetite and strategies for managing the credit risk. It is also responsible for the implementation and maintenance of the Company's credit risk management framework. It also participates in evaluating large credit applications and making credit decisions. The Committee comprised the Deputy Managing Director and the Senior Manager.

Template CR3: Overview of recognized credit risk mitigation

		As at 31 December 2019				
		(a)	(b1)	(b)	(d)	(f)
	USD	Exposures unsecured: carrying amount	Exposures to be secured	Exposures secured by recognized collateral	Exposures secured by recognized guarantees	Exposures secured by recognized credit derivative contracts
1	Loans	67,978,701	202,019,745	-	202,019,745	-
2	Debt securities	131,269,415	21,409,285	-	21,409,285	-
3	**Total**	199,248,116	223,429,030	-	223,429,030	-
4	Of which defaulted	-	-	-	-	-

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

	Exposure classes	(a)	(b)	(c)	(d)	(e)	(f)
		As at 31 December 2019					
		Exposures pre-CCF and pre-CRM		Exposures post-CCF and post-CRM		RWA and RWA density	
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
		USD	USD	USD	USD	USD	%
1	Sovereign exposures	2,004,492	-	2,004,492	-	2,004,492	100%
2	PSE exposures	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-
4	Bank exposures	116,377,612	-	116,377,612	-	42,129,153	36%
5	Cash items	-	-	-	-	-	-
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	-	-	-	-	-	-
8	Other exposures	314,676,408	3,250,000	314,676,408	3,250,000	317,926,408	100%
9	Significant exposures to commercial entities	-	-	-	-	-	-
10	Total	433,058,512	3,250,000	433,058,512	3,250,000	362,060,053	83%

No significant change over the last reporting period.

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

	USD	As at 31 December 2019								
		(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	-	-	-	-	-	2,004,492	-	-	2,004,492
2	PSE exposures	-	-	-	-	-	-	-	-	-
3	Multilateral development bank exposures	-	-	-	-	-	-	-	-	-
4	Bank exposures	-	-	92,810,574	-	-	23,567,038	-	-	116,377,612
5	Cash items	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-
8	Other exposures	-	-	-	-	-	317,926,408	-	-	317,926,408
9	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-
10	Total	-	-	92,810,574	-	-	343,497,938	-	-	436,308,512

Advances to customers

(a) By industry sectors

The analysis of advances to customers by industry sector is based on the categories used in the "Quarterly Analysis of Loans and Advances and Provisions" Return to the HKMA and is stated gross of any provisions:

Loans and advances to customers analysed by the coverage of collateral and the impairment allowance is as follows:

	At 12/31/2019			
	Gross loans and advances USD	% of gross loans and advances covered by collateral	Collectively - assessed impairment allowances USD	Individually - assessed impairment allowances USD
Loans for use in Hong Kong				
Industrial, commercial and financial:				
- Recreational activities	2,500,000	-	24,481	-
Loans for use in Hong Kong	2,500,000	-	24,481	-
Loans for use outside Hong Kong	232,948,604	-	799,736	-
Gross advances to customers	235,448,604	-	824,217	-

	At 12/31/2018			
	Gross loans and advances USD	% of gross loans and advances covered by collateral	Collectively - assessed impairment allowances USD	Individually - assessed impairment allowances USD
Loans for use in Hong Kong				
Industrial, commercial and financial:				
- Recreational activities	5,000,000	-	28,504	-
Loans for use in Hong Kong	5,000,000	-	28,504	-
Loans for use outside Hong Kong	225,951,867	-	571,494	-
Gross advances to customers	230,951,867	-	599,998	-

(b) By geographical areas

	At 12/31/2019		
	Gross loans and advances USD	Collectively - assessed impairment allowances USD	Individually - assessed impairment allowances USD
-Korea	202,777,806	(611,645)	-
-Developing Asia Pacific	26,463,965	(200,445)	-
-Developing Latin America and Caribbean	4,206,833	(10,819)	-
-Developing Europe	2,000,000	(1,308)	-
-Offshore centres	-	-	
	235,448,604	(824,217)	-

	At 12/31/2018		
	Gross loans and advances USD	Collectively - assessed impairment allowances USD	Individually - assessed impairment allowances USD
-Korea	212,693,747	(556,655)	-
-Developing Asia Pacific	13,596,653	(30,364)	-
-Developing Latin America and Caribbean	4,411,467	(10,570)	-
-Developing Europe	250,000	(2,409)	-
-Offshore centres	-	-	-
	230,951,867	(599,998)	-

The above geographical analysis is classified by the location of counterparties after taking into account the transfer of risk.

Advances to banks and other financial institutions

(a) By industry sectors

The analysis of advances to banks and other financial institutions by industry sector is based on the categories used in the "Quarterly Analysis of Loans and Advances and Provisions" Return to the HKMA and is stated gross of any provisions:

Loans and advances to banks and other financial institutions analysed by the coverage of collateral and the impairment allowance is as follows:

	At 12/31/2019		
	Gross loans and advances USD	% of gross loans and advances covered by collateral	Collectively - assessed impairment allowances USD
Loans for use outside Hong Kong	35,198,503	-	33,762

	At 12/31/2018		
	Gross loans and advances USD	% of gross loans and advances covered by collateral	Collectively - assessed impairment allowances USD
Loans for use outside Hong Kong	30,925,776	-	60,669

(b) By geographical areas

	At 12/31/2019	
	Gross loans and advances USD	Collectively - assessed impairment allowances USD
-Korea	5,000,000	(3,251)
-Developing Asia Pacific	4,993,494	(6,520)
-Developing Europe	-	-
-Developing Latin America and Caribbean	3,493,182	(2,284)
-Developing Africa and Middle East	16,714,948	(15,201)
-Offshore centres	4,996,879	(6,506)
	35,198,503	(33,762)

	At 12/31/2018	
	Gross loans and advances USD	Collectively - assessed impairment allowances USD
-Korea	5,000,000	(6,552)
-Developing Asia Pacific	5,661,285	(3,196)
-Developing Europe	3,431,912	(32,634)
-Developing Latin America and Caribbean	-	-
-Developing Africa and Middle East	11,838,198	(11,899)
-Offshore countries	4,994,381	(6,388)
	30,925,776	(60,669)

The above geographical analysis is classified by the location of counterparties after taking into account the transfer of risk.

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Overdue

a Advances to customers which have been overdue for :

	At 12/31/2019 By amount USD	At 12/31/2019 By % of total advances	At 12/31/2018 By amount USD	At 12/31/2018 By % of total advances
6 months or less but over 3 months	-	-	-	-
1 year or less but over 6 months	-	-	-	-
Over 1 year	-	-	-	-
	-	-	-	-
Current market value of collateral held against the covered portion of overdue loans and	-		-	
Covered portion of overdue loans and advances	-		-	
Uncovered portion of overdue loans and advances	-		-	
	-		-	

Loans and advances with a specific repayment date are classified as overdue when the principal or interest is overdue and remains unpaid at the year-end.

b Advances to banks and other financial institutions which have been overdue for :

	At 12/31/2019 By amount USD	At 12/31/2019 By % of total advances	At 12/31/2018 By amount USD	At 12/31/2018 By % of total advances
6 months or less but over 3 months	-	-	-	-
1 year or less but over 6 months	-	-	-	-
Over 1 year	-	-	-	-
	-	-	-	-

c Other assets which have been overdue for :

	At 12/31/2019 By amount USD	At 12/31/2019 By % of total advances	At 12/31/2018 By amount USD	At 12/31/2018 By % of total advances
6 months or less but over 3 months	-	-	-	-
1 year or less but over 6 months	-	-	-	-
Over 1 year	-	-	-	-
	-	-	-	-
d Rescheduled advances to customers	-	-	-	-
e Rescheduled advances to banks and other financial institution	-	-	-	-
f Total impaired loans	-	-	-	-
g Individual impairment allowances / Expected credit losses at stage 3 made on overdue loans and advances	-		-	

As at 31 December 2019 and 31 December2018, there were no overdue advances to banks and other financial institutions.

Repossessed assets

	At 12/31/2019 USD	At 12/31/2018 USD
Repossessed assets	-	-

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

Counterparty credit risk management

The Company adopted the Current Exposure Method and potential exposure value for regulatory capital calculation of its counterparty credit risk ("CCR") arising from securities financing transactions and derivative contracts booked in the banking book and trading book.

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.

Debt securities, treasury and other eligible bills are generally unsecured. The Company's preferred agreement for documenting derivatives activity is the ISDA Master Agreement which covers the contractual framework within dealing activity across a full range of over-the-counter products is conducted and contractually binds both parties to apply close-out netting across all outstanding transactions covered by an agreement, if either party defaults or following other pre-agreed termination events. It is also common for the Company to execute a Credit Support Annex in conjunction with the ISDA Master Agreement with the counterparty under which collateral is passed between the parties to mitigate the market contingent counterparty risk inherent in the outstanding position.

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

	USD	As at 31 December 2019					
			(b)	(c)	(d)	(e)	(f)
		Replacement cost (RC)	PFE	Effective EPE	Alpha (α) used for computing default risk exposure	Default risk exposure after CRM	RWA
1	SA-CCR (for derivative contracts)				1.4		
1a	CEM				N/A	-	
2	IMM (CCR) approach				N/A		
3	Simple Approach (for SFTs)					27,960,293	5,592,059
4	Comprehensive Approach (for SFTs)						
5	VaR (for SFTs)						
6	**Total**						5,592,059

Template CCR2: CVA capital charge

	USD	As at 31 December 2019	
		(a)	(b)
		EAD post CRM	RWA
	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		
4	Total	-	-

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

	As at 31 December 2019									
	USD	(a)	(b)	(c)	(ca)	(d)	(f)	(ga)	(h)	(i)
	Risk Weight / Exposure class	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	-	-	5,592,059	-	-	-	-	-	5,592,059
5	CIS exposures	-	-	-	-	-	-	-	-	-
6	Other exposures	-	-	-	-	-	-	-	-	-
7	Significant exposures to commercial entities	-	-	-	-	-	-	-	-	-
8	Total	-	-	5,592,059	-	-	-	-	-	5,592,059

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

	As at 31 December 2019					
	(a)	(b)	(c)	(d)	(e)	(f)
	Derivative contracts				SFTs	
	Fair value of recognized collateral received		Fair value of posted collateral		Fair value of recognized collateral received	Fair value of posted collateral
USD	Segregated	Unsegregated	Segregated	Unsegregated		
Cash - domestic currency	-	-	-	-	-	-
Cash - other currencies	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-
...	-	-	-	-	-	-
Total	-	-	-	-	-	-

Template CCR6: Credit-related derivatives contracts

USD	As at 31 December 2019	
	(a)	(b)
	Protection bought	Protection sold
Notional amounts		
Single-name credit default swaps	-	-
Index credit default swaps	-	-
Total return swaps	-	-
Credit-related options	-	-
Other credit-related derivative contracts	-	-
Total notional amounts	-	-
Fair values		
Positive fair value (asset)	-	-
Negative fair value (liability)	-	-

Template CCR8: Exposures to CCPs

		As at 31 December 2019	
		(a)	(b)
USD		Exposure after CRM	RWA
1	**Exposures of the AI as clearing member or client to qualifying CCPs (total)**		-
2	Default risk exposures to qualifying CCPs (excluding items disclosed in rows 7 to 10), of which:	-	-
3	(i) OTC derivative transactions	-	-
4	(ii) Exchange-traded derivative contracts	-	-
5	(iii) Securities financing transactions	-	-
6	(iv) Netting sets subject to valid cross-product netting agreements	-	-
7	Segregated initial margin	-	
8	Unsegregated initial margin	-	-
9	Funded default fund contributions	-	-
10	Unfunded default fund contributions	-	-
11	**Exposures of the AI as clearing member or client to non-qualifying CCPs (total)**		-
12	Default risk exposures to non-qualifying CCPs (excluding items disclosed in rows 17 to 20), of which:	-	-
13	(i) OTC derivative transactions	-	-
14	(ii) Exchange-traded derivative contracts	-	-
15	(iii) Securities financing transactions	-	-
16	(iv) Netting sets subject to valid cross-product netting agreements	-	-
17	Segregated initial margin	-	
18	Unsegregated initial margin	-	-
19	Funded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Table SECA: Qualitative disclosures related to securitization exposures

The Company has no securitization exposures at the end of the period. The Company may held a small amounts of securitization exposures, they are classified and measured for accounting purpose in according to the accounting standard. The securitization exposures held by the Company should all rated by recognized ECAI designated by the Capital Rules and calculate the risk-weighted amount accordingly.

Template SEC1: Securitization exposures in banking book

		As at 31 December 2019								
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
	USD	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	Retail (total) – of which:	-	-	-	-	-	-	-	-	-
2	residential mortgage									
3	credit card									
4	other retail exposures									
5	re-securitization exposures									
6	Wholesale (total) – of which:	-	-	-	-	-	-	-	-	-
7	loans to corporates									
8	commercial mortgage									
9	lease and receivables									
10	other wholesale									
11	re-securitization exposures									

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Template SEC2: Securitization exposures in trading book

		As at 31 December 2019								
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Acting as originator (excluding sponsor)			Acting as sponsor			Acting as investor		
	USD	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	Retail (total) – of which:	-	-	-	-	-	-	-	-	-
2	residential mortgage									
3	credit card									
4	other retail exposures									
5	re-securitization exposures									
6	Wholesale (total) – of which:	-	-	-	-	-	-	-	-	-
7	loans to corporates									
8	commercial mortgage									
9	lease and receivables									
10	other wholesale									
11	re-securitization exposures									

Template SEC3: Securitization exposures in banking book and associated capital requirements – where AI acts as originator

		As at 31 December 2019																
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
	USD	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA
1	**Total exposures**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Traditional securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Of which retail																	
5	Of which wholesale																	
6	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which senior																	
8	Of which non-senior																	
9	Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail																	
12	Of which wholesale																	
13	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Of which senior																	
15	Of which non-senior																	

Template SEC4: Securitization exposures in banking book and associated capital requirements – where AI acts as investor

		As at 31 December 2019																
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)	(p)	(q)
		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWAs (by regulatory approach)				Capital charges after cap			
	USD	≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA	SEC-IRBA	SEC-ERBA	SEC-SA	SEC-FBA
1	**Total exposures**	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Traditional securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Of which retail																	
5	Of which wholesale																	
6	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Of which senior																	
8	Of which non-senior																	
9	Synthetic securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Of which securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Of which retail																	
12	Of which wholesale																	
13	Of which re-securitization	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Of which senior																	
15	Of which non-senior																	

Template MR1: Market risk under STM approach

USD		As at 31 December 2019
		(a)
		RWA
	Outright product exposures	
1	Interest rate exposures (general and specific risk)	-
2	Equity exposures (general and specific risk)	-
3	Foreign exchange (including gold) exposures	-
4	Commodity exposures	-
	Option exposures	
5	Simplified approach	-
6	Delta-plus approach	-
7	Other approach	-
8	Securitization exposures	-
9	**Total**	-

The Company had been exempted from market risk capital requirement since September 2005.

Table IRRBBA: Interest rate risk in banking book – risk management objectives and policies

The Company defines interest rate risk in the banking book ("IRRBB") per requirement of Hong Kong Monitory Authority ("HKMA") Supervisory Policy Manual IR-1. IRRBB referes to the risk of the Company's financial condition resulting from adverse movements in interest rates that affect the Company's banking book interest rate sensitive positions and off-balance sheet items.

The Company's interest rate positions arise from treasury and lending activities. Interest rate risk arise in both trading portfolios and non-trading portfolios. Interest rate risk primarily results from the timing differences in the repricing of interest-bearing assets, liabilities and commitments. It also related to positions from non-interest-bearing liabilities including shareholders' funds and current accounts.

The Company has three lines of defence for interest rate risk management. The first line of defence comprises risk owners at business units. They are primarily responsible for the day-to-day interest rate risk management. The second line of defence refers to the Risk Management Committee, and the third line of defence refers to Parent Bank's internal audit Department.

The Company uses interest rate swaps and currency swap for hedging purpose to manage interest rate risk.

Risk Limits are established for on-going monitoring. The company regular conduct sensitivity analysis and stress tests with adoption of value-at-risk and earning-at-risk methodologies

Through economic value of equity measures ("EVE") , the Company computes a change in the net present value of assets, liabilities and off-balance sheet items, subject to specific interest rate shock and stress scenarios. Through earning-based measures on net interest income ("NII"), the Company reflect changes in value over the remaining life of assets, liabilities and off-balance sheet items

<u>Key Assumptions refer to HKMA IR-1</u>

Non-maturity deposit ("NMD")

NMD here refers to current and savings deposits, the deposits types without maturity of the Company. The average repricing maturity of NMDs are determined per historical re-pricing and run off behavior with consideration of relationship between market interest rate and the interest rate offered by the Company. Geographical factors (like Hong Kong and China) are also considered. The Company does not provide current and saving deposit services.

Cash Flow of retail fixed rate loans

Prepayment on retail fixed rate loans would cause the loans being paid back on an earlier date than the contractual maturity.

Retail time deposits subject to early redemption risk are time deposits that can be withdrawn early at the discretion of the customer. Except there is significant penalty that the customers might not early uplift or breaking the deposits contract due to interest rate change.

According to the characteristic of different products, various statistical methods with reference to macroeconomic factors and historical data are applied to forecast prepayment rates on retail fixed rate loans and early withdrawal rates on retail time deposits to adequately assess the impact on earnings and economic value.

Table IRRBBA: Interest rate risk in banking book – risk management objectives and policies

Treatment of commercial margins and spread

In measurement of economic value of equity, the commercial margins and spread components have been included in the cash flows used in the computation and discount rate used.

Aggregation method

Significant currencies are defined that account for 5% or more of the Company's total on-balance sheet interest rate sensitive position in all currencies. The total position in non-reported currencies could not exceed 10% of the same. Adverse currency impact would be aggregated for significant currencies. For prudent sake, no netting is adopted among currencies

Constant balance

Under earnings perspective approach, the Company assesses the impact on earnings over the next 12 months based on the two standard interest rate shock assuming constant balance sheet, where maturing or repricing cash flows are replaced by new cash flows with identical features with regard to the amount, repricing period and spread components. It measures the impact on the Company's NII when interest rates change in parallel up and down movement.

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

This table provides information on the change in net interest income ("NII") and also the change in economic value of equity ("EVE") over next 12 months under each of the prescribed interest rate shock scenario in respect of the Group's interest rate exposures arising from banking book positions for the current annual reporting date at 31st December 2019. Since this is the first time disclosure under new requirements of HKMA, comparative figures with previous year are not available.

Sensitivity Analysis for 2019

(in HKD million)		(a)	(b)	(c)	(d)
		Adverse impact on EVE "ΔEVE"		Adverse impact on NII "ΔNII"	
	Period	USD	EUR	USD	EUR
1	Parallel up	13	5	-11	1
2	Parallel down	0	0	11	-1
3	Steepener	6	0	[redacted]	
4	Flattener	0	0		
5	Short rate up	5	2		
6	Short rate down	0	0		
7	Maximum	13	5	11	1
	Period	31, December 2019			
8	Tier 1 capital	471			

Regulatory Disclosures

Table REMA: Remuneration policy

Senior management compensation and benefits

The below disclosures are in compliance with the guideline in Part 3 (Disclosure on remuneration) of the HKMA Supervisory Policy Manual CG-5 "Guideline on a Sound Remuneration System".

Design and implementation of the remuneration system

The Company has a small establishment in Hong Kong with around 11 staff. Since all the management are expatriates sent by the Export-Import Bank of Korea (the "Parent Bank") as a government bank in Seoul, all staff's remuneration packages follow the South Korean government guidance. All their remuneration packages are overseen by the Payroll & Welfare Team under the Human Resources Department from the Parent Bank according to its remuneration policy. At year-end, the Payroll & Welfare Team reviews the aggregate performance and the material terms of the year-end incentive awards granted to the eligible employee.

This remuneration policy at Group level has included essential elements including structure of remuneration, measurement of performance for variable remuneration and alignment payouts to the time horizon of risks.

Senior management is defined as those persons who are responsible for oversight of the Company's strategy or activities and/or those of the Company's material business lines. Key Personnel are defined as individual employees whose duties or activities in the course of their employment involve the assumption of material risk or taking on of material exposures on behalf of the Company. For the year 2019, the Company does not have any staff considered as Key Personnel.

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Template REM1: Remuneration awarded during financial year

USD			As at 31 December 2019		As at 31 December 2018	
			(a)	(b)	(a)	(b)
Remuneration amount and quantitative information			Senior management	Key personnel	Senior management	Key personnel
1	Fixed remuneration	Number of employees	5		6	
2		Total fixed remuneration	406,344	-	516,850	-
3		Of which: cash-based	406,344		516,850	
4		Of which: deferred				
5		Of which: shares or other share-linked instruments				
6		Of which: deferred				
7		Of which: other forms				
8		Of which: deferred				
9	Variable remuneration	Number of employees				
10		Total variable remuneration	-	-	-	-
11		Of which: cash-based				
12		Of which: deferred				
13		Of which: shares or other share-linked instruments				
14		Of which: deferred				
15		Of which: other forms				
16		Of which: deferred				
17	Total remuneration		406,344	-	516,850	-

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Template REM2: Special payments

USD		As at 31 December 2019					
		(a)	(b)	(c)	(d)	(e)	(f)
		Guaranteed bonuses		Sign-on awards		Severance payments	
Special payments		Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
1	Senior management	5		5		5	
2	Key personnel						

USD		As at 31 December 2018					
		(a)	(b)	(c)	(d)	(e)	(f)
		Guaranteed bonuses		Sign-on awards		Severance payments	
Special payments		Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
1	Senior management	6		6		6	
2	Key personnel						

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Template REM3: Deferred remuneration

	USD	As at 31 December 2019 (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					
11	Total	-	-	-	-	-

	USD	As at 31 December 2018 (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					
11	Total	-	-	-	-	-

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Liquidity information

Liquidity maintenance ratio ("LMR")

	At 12/31/2019	At 12/31/2018
Average LMR for the period	145.72%	147.25%

The average LMR is computed as the arithmetic mean of the average value of the LMR for each calendar month as reported in the liquidity position submitted for the year.

Approach to liquidity risk management

The Company's approach to liquidity risk management is based on the building blocks of governance by framework, oversight by risk management committees, and internal control policies that define specific risk methodologies. Processes and systems are in place to measure, limit and control exposures based on the risk methodologies defined. Risk Management Committee is responsible for overseeing overall liquidity position and ensuring that there is sufficient liquidity available to meet the obligations. The Committee members meet at least on a monthly basis to review several limits set internal or statutory. Internal target liquidity ratio is established which provide early-warning signal in relation to liquidity position.

The purpose of liquidity management is to ensure sufficient cash flows to meet all financial commitments and to capitalize on opportunities for business expansion. This included the Company's ability to meet any deposit withdrawals either on demand or at contractual maturity, to repay borrowings as they mature, to company with statutory liquidity ratio, and to make new loans and investments as opportunities arise.

Liquidity is managed on a daily basis by a senior manager under the direction of the management and liquidity maintenance ratio. The senior manager is responsible for ensuring that the Company has adequate liquidity for all operations, ensuring that the funding mix is appropriate so as to avoid maturity mismatches and to prevent price and reinvestment rate risk in case of a maturity gap, and monitoring local and international markets for the adequacy of funding and liquidity. Risk Management Committee will be promptly informed if the ratio calculated below internal target and determine appropriate course of action to restore the ratio back to or above internal target ratio.

The Company manages liquidity risk by holding sufficient liquid assets (e.g. cash and bank balances and securities) of appropriate quality to ensure that short-term funding requirements are covered within prudent limits. The Company regularly stress tests its liquidity position.

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Mainland Activities

Non-bank Mainland China exposure

(Expressed in United States dollars)

The analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the "Return of Mainland Activities" for non-bank.

	At 12/31/2019		
Types of Counterparties	On-balance sheet exposure 000'	Off-balance sheet exposure 000'	Total exposure 000'
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	51,607	-	51,607
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	5,050	5,000	10,050
Total	56,657	5,000	61,657
Total assets after provision	432,259		
On-balance sheet exposures as percentage of total assets	13.11%		

Mainland Activities (continued)

Non-bank Mainland China exposure (continued)

(Expressed in United States dollars)

Types of Counterparties	At 12/31/2018 On-balance sheet exposure 000'	Off-balance sheet exposure 000'	Total exposure 000'
1. Central government, central government-owned entities and their subsidiaries and joint ventures (JVs)	-	-	-
2. Local governments, local government-owned entities and their subsidiaries and JVs	-	-	-
3. PRC nationals residing in Mainland China or other entities incorporated in Mainland China and their subsidiaries and JVs	50,760	4,853	55,613
4. Other entities of central government not reported in item 1 above	-	-	-
5. Other entities of local governments not reported in item 2 above	-	-	-
6. PRC nationals residing outside Mainland China or entities incorporated outside Mainland China where the credit is granted for use in Mainland China	-	-	-
7. Other counterparties where the exposures are considered by the reporting institution to be non-bank Mainland China exposures	-	-	-
Total	50,760	4,853	55,613
Total assets after provision	415,793		
On-balance sheet exposures as percentage of total assets	12.21%		

International Claims

International claims are on-balance sheet exposures of counterparties based on the location of the counterparties after taking into account any transfer of risk. For a claim guaranteed by a party situated in a country different from the counterparty, risk will be transferred to the country of the guarantor. For a claim on the branch of a bank or other financial institution, the risk will be transferred to the country where its head office is situated. Claims on individual countries or areas, after risk transfer, amounting to 10% or more of the aggregate international claims are shown as follows:

USD

As at 31 December 2019	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	Total
Developed countries	21,716,756	-	-	25,636,639	-	47,353,395
Offshore centres	5,000,892	-	-	16,058,587	-	21,059,479
Developing Europe	-	-	-	-	-	-
Developing Latin America and Caribbean	3,516,224	-	-	4,257,850	-	7,774,074
Developing Africa and Middle East	22,768,265	-	-	3,025,715	-	25,793,980
Developing Asia-Pacific	63,443,227	-	-	267,698,871	-	331,142,098
of which : China	27,524,212	-	-	22,744,530	-	50,268,742
Korea	15,822,798	-	-	222,024,768	-	237,847,566
Total	116,445,364	-	-	316,677,662	-	433,123,026

USD

As at 31 December 2018	Banks	Official sector	Non-bank financial institutions	Non-financial private sector	Others	Total
Developed countries	26,044,831	-	-	23,211,238	-	49,256,069
Offshore centres	5,551,507	-	-	4,801,214	-	10,352,721
Developing Europe	3,440,539	-	-	250,444	-	3,690,983
Developing Latin America and Caribbean	-	-	-	4,466,434	-	4,466,434
Developing Africa and Middle East	14,896,978	-	-	2,903,665	-	17,800,643
Developing Asia-Pacific	65,051,178	-	-	266,265,741	-	331,316,919
of which : China	28,079,157	-	-	24,051,150	-	52,130,307
Korea	26,978,991	-	-	233,579,782	-	260,558,773
Total	114,985,033	-	-	301,900,736	-	416,885,769

The above analysis is disclosed on a net basis after taking into account the effect of any recognised risk transfer.

Foreign currency exposures

(Expressed in millions of Hong Kong dollars)

	At 12/31/2019			
	USD	EUR	CNY	Total
Spot assets	3,231	139	-	3,370
Spot liabilities	(3,240)	(132)	-	(3,372)
Forward purchases	-	-	-	-
Forward sales	-	-	-	-
Net long / (short) position	(9)	7	-	(2)
Net structural position	-	-	-	-

	At 12/31/2018			
	USD	EUR	CNY	Total
Spot assets	3,086	172	-	3,258
Spot liabilities	(3,091)	(171)	-	(3,262)
Forward purchases	-	-	-	-
Forward sales	-	-	-	-
Net long / (short) position	(5)	1	-	(4)
Net structural position	-	-	-	-

Countercyclical Capital Buffer Ratio

	At 12/31/2019	At 12/31/2018
Countercyclical Capital Buffer Ratio	0.123%	0.029%

The relevant disclosures of countercyclical capital buffer ratio which are prepared in accordance with the Banking (Disclosure) Rules and disclosure templates issued by the HKMA can be found on the Company's website accessible through the "Regulatory Disclosures_ December 2019" link on the home page of the Company's website at https://www.koreaexim.go.kr/site/program/board/basicboard /list?boardtypeid =362&menuid=016001005.

Capital Conservation Buffer Ratio

Under section 3M of the Capital Rules, the capital conservation buffer ratios for calculating the Bank's buffer level are 2.5% for 2019 and 1.875% for 2018.

	At 12/31/2019	At 12/31/2018
Capital Conservation Buffer Ratio	2.500%	1.875%