BASEL Pillar 3

Public Disclosure of Prudential Information under APS 330
As at 30 Sep 2020

Bank of China (Australia) Limited

Contents

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Public Disclosure of Prudential Information Part 3
under APS 330 – Sep 2020
Bank of China (Australia) Limited

	Table 3: Capital Adequacy	2020 Sep Quarter (A$m)	2020 Jun Quarter (A$m)
(a)	Capital requirements (in terms of risk-weighted assets) for:		
	• Credit Risk	**1,585.45**	**1,510.6**
	Residential mortgage	1,261.2	1,163.6
	Other retail	25.0	27.3
	Corporate	70.8	81.8
	Bank	121.7	130.4
	Government	-	-
	Other risk assets	2.1	0.7
	Perfomance-related Contingencies	18.9	9.7
	Loan commitment	82.5	94.7
	Market related derivatives	3.21	2.3
	• Securitisation	-	-
(b)	Capital requirements (in terms of risk-weighted assets) for equity exposures in the IRB approach (simple risk-weighted method).	-	-
(c)	Capital requirements (in terms of risk-weighted assets) for market risk.	0.6	0.6
(d)	Capital requirements (in terms of risk-weighted assets) for operational risk.	164.1	164.1
(e)	Capital requirements (in terms of risk-weighted assets) for interest rate risk in the banking book (IRRBB) (IRB/AMA approved Asutralian-owned ADIs only).	-	-
(f)	Common Equity Tier 1, Tier 1 and Total Capital ratio for the consolidated banking group.		
	• Common Equity Tier 1 Ratio	26.3%	27.1%
	• Tier 1 Ratio	28.0%	28.9%
	• Total Capital Ratio	30.0%	30.9%

Table 4: Credit Risk	**2020 Sep Quarter (Credit Risk Exposure in A$m)**	**2020 Jun Quarter (Credit Risk Exposure in A$m)**	**Average Balance for the Quarter (Credit Risk Exposure in A$m)**
(a) Total gross credit exposures, plus average gross exposure over the period, broken down by:			
Total gross credit risk exposures, broken down by			
Debt securities and Due from ADIs	367.4	399.5	383.5
Loans	3,672.4	3,408.4	3540.4
Loan commitments	214.7	248.0	231.3
Performance-related contingencies	18.9	9.7	14.3
Market related derivatives	6.1	4.4	5.3
All other	498.4	357.8	428.1
Total gross credit risk exposures, broken down by portfolio			
Claims secured by residential mortgage	3,791.2	3,547.2	3669.2
Other retail	25.0	27.3	26.2
Corporate	70.8	81.8	76.3
Banks and other ADIs	367.4	399.5	383.5
Government	257.7	307.5	282.6
RBA	223.7	33.6	128.6
All other	42.0	30.8	36.4
(b) Amount of impaired facilities, provision and write-offs, by portfolio			
Amount of impaired facilities, by portfolio			
Claims secured by residential mortgage	-	-	-
Other retail	-	-	-
Corporate	-	-	-
Banks and other ADIs	-	-	-
Government	-	-	-
All other	-	-	-

Table 4: Credit Risk (Continued)	2020 Sep Quarter (Credit Risk Exposure in A$m)	2020 Jun Quarter (Credit Risk Exposure in A$m)	Average Balance for the Quarter (Credit Risk Exposure in A$m)
Amount of past due items, by portfolio*			
Claims secured by residential mortgage	6.1	4.7	5.4
Other retail	0.0	0.0	0.0
Corporate	-	-	-
Banks and other ADIs	-	-	-
Government	-	-	-
All other	-	-	-
Amount of specific provision, by portfolio			
Claims secured by residential mortgage	0.8	0.7	0.8
Other retail	-	-	-
Corporate	-	-	-
Banks and other ADIs	-	-	-
Government	-	-	-
All other	-	-	-
Charges for specific provisions and write-offs during the period			
Claims secured by residential mortgage	-	-	
Other retail	-	-	-
Corporate	-	-	-
Banks and other ADIs	-	-	-
Government	-	-	-
All other	-	-	-
(c) General reserves for credit losses	3.7	3.9	3.8

*Amount of past due but not impaired items

Table 5: Securitisation exposures

The Bank had successfully completed a self securitisation for China Dragon Trust 2 Series 2020-1R in September 2020. The transaction is a securitisation of a portfolio of Australian prime loans backed by residential mortgage originated by the Bank. Total amount of mortgage transferred amounted to AUD 200 million. The Bank holds notes issued by this Trust. This Trust is a special purpose entity consolidated by the Bank.

Moody's Investors Service has assigned the following definitive long-term rating to notes issued by Perpetual Corporate Trust Limited in its capacity as trustee of the China Dragon Trust 2 Series 2020-1R (Trust).

The complete rating action is as follows:
— AUD 184 million of Class A Notes, rated Aaa
The AUD 16 million Class B Notes are not rated.

The self securitisation transaction is entered by the Bank for the purpose of generating extra contingency funding channel during liquidity crisis.

(a)	**Securitisation activity of current period (AUD million)**	**Exposure securitized**		**Recognized gain(or loss) on sale**	
		2020 Q3	**2020 Q2**	**2020 Q3**	**2020 Q2**
	Residential Mortgage	200	-	-	-
	Total exposure securitized during the period	**-**	**-**	**-**	**-**

(b)		**2020 Q3**	**2020 Q2**
	On balance sheet securitisation exposure		
	Securities held in the banking book	196.5	-
	Total on balance sheet exposure	**196.5**	**-**
	Funding facilities	25.0	-
	Credit enhancements	16.0	-
	Derivatives - Basis swaps	-	-
	Total off balance sheet exposures	**41.0**	**-**

Liquidity Risk

Liquidity Coverage Ratio Disclosure

Liquidity Coverage Ratio (LCR) measures whether an ADI maintains an adequate level of unencumbered high-quality liquid assets (HQLA) to meet its liquidity needs for a 30 calendar day period under a severe stress scenario.

BOCAL reported weighted average LCR of 184% in the quarter ended 30 September 2020, increased by 1% compared to last quarter, as the bank maintained sufficient level of liquidity. Facing with the COVID-19 pandemic, BOCAL reinforced its liquidity management capability by increasing additional HQLA bond and RBA-eligible securities holding. The Bank manages its LCR position on a daily basis and maintains a buffer over the minimum regulatory requirement and the Board's risk tolerance. Methodologies used to determine LCR outcomes are reviewed on a regular basis.

The Bank holds a mix of High Quality Liquid Assets, consisting of cash equivlent assets, Australian government bonds and Semi-government bonds, securities eligible for repo with RBA under the Committed Liquidity Facility (CLF) and Term Funding Facility (TFF). The composition of the liquid asset portfolio has remained relatively stable and commensurate with its business size, characteristics and complexity of the Bank over this quarter of 2020.

The Bank follows the principle of prudence in its liquidity management strategy, and manages its funding maturity profile, deposit product diversification and customer relationships to minimize Net Cash Outflows. The cash outflows associated with the Bank's retail funding base were relatively stable, which has provided the Bank sufficient liquidity to support the business growth.

APS 330 Table 20 - LCR disclosure 2020Q3

		30 Sep 2020 Total unweighted value (average) $M	Total weighted value (average) $M
Liquid assets, of which:			
1	High-quality liquid assets (HQLA)		**340**
2	Alternative liquid assets (ALA)		**163**
3	Reserve Bank of New Zealand (RBNZ) securities		**-**
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	**2,865**	**369**
5	Stable deposits	**1,114**	**56**
6	Less stable deposits	**1,751**	**313**
7	Unsecured wholesale funding, of which:	**92**	**75**
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	**-**	**-**
9	Non-operational deposits (all counterparties)	**70**	**70**
10	Unsecured debt	**-**	**-**
11	Secured wholesale funding		**-**
12	Additional requirements, of which:	**387**	**60**
13	Outflows related to derivatives exposures and other collateral requirements	**43**	**43**
14	Outflows related to loss of funding on debt products	**-**	**-**
15	Credit and liquidity facilities	**344**	**17**
16	Other contractual funding obligations	**37**	**34**
17	Other contingent funding obligations	**-**	**-**
18	**Total cash outflows**	**3,381**	**538**
Cash inflows			
19	Secured lending	**-**	**-**
20	Inflows from fully performing exposures	**191**	**188**
21	Other cash inflows	**77**	**77**
22	**Total cash inflows**	**268**	**265**
23	**Total liquid assets**		**503**
24	**Total net cash outflows**		**273**
25	**Liquidity Coverage Ratio (%)**		**184%**
Number of data points used			**92**

APS 330 Table 20 - LCR disclosure 2020Q2

		30 Jun 2020 Total unweighted value (average) $M	Total weighted value (average) $M
Liquid assets, of which:			
1	High-quality liquid assets (HQLA)		351
2	Alternative liquid assets (ALA)		160
3	Reserve Bank of New Zealand (RBNZ) securities		0
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	2759	350
5	Stable deposits	984	49
6	Less stable deposits	1774	301
7	Unsecured wholesale funding, of which:	144	124
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	0	0
9	Non-operational deposits (all counterparties)	117	117
10	Unsecured debt	0	0
11	Secured wholesale funding		0
12	Additional requirements, of which:	411	93
13	Outflows related to derivatives exposures and other collateral requirements	76	76
14	Outflows related to loss of funding on debt products	0	0
15	Credit and liquidity facilities	335	17
16	Other contractual funding obligations	40	37
17	Other contingent funding obligations	0	0
18	**Total cash outflows**	3354	603
Cash inflows			
19	Secured lending	0	0
20	Inflows from fully performing exposures	200	196
21	Other cash inflows	127	127
22	**Total cash inflows**	327	324
23	**Total liquid assets**		511
24	**Total net cash outflows**		280
25	**Liquidity Coverage Ratio (%)**		183%
Number of data points used (Calendar Days)			91