BASEL Pillar 3

Public Disclosure of Prudential Information under APS 330
As at 31 Mar 2021

Bank of China (Australia) Limited

Contents

BASEL Pillar 3
Public Disclosure of Prudential Information Part 3
under APS 330 – Mar 2021
Bank of China (Australia) Limited

Table 3: Capital Adequacy

		2021 Mar Quarter (A$m)	2020 Dec Quarter (A$m)
(a)	Capital requirements (in terms of risk-weighted assets) for:		
	• Credit Risk	**1,657.35**	**1,633.2**
	Residential mortgage	1,376.0	1,309.2
	Other retail	25.1	25.2
	Corporate	56.1	65.5
	Bank	108.1	146.2
	Government	-	-
	Other risk assets	1.9	0.6
	Perfomance-related Contingencies	18.5	18.7
	Loan commitment	68.2	66.1
	Market related derivatives	3.40	1.8
	• 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.	0.3	0.6
(d)	Capital requirements (in terms of risk-weighted assets) for operational risk.	188.1	188.1
(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	25.5%	25.5%
	• Tier 1 Ratio	27.1%	27.2%
	• Total Capital Ratio	29.0%	29.0%

Table 4: Credit Risk	**2021 Mar Quarter (Credit Risk Exposure in A$m)**	**2020 Dec Quarter (Credit Risk Exposure in A$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	289.9	506.0	397.9
Loans	3,983.6	3,802.3	3893.0
Loan commitments	186.5	184.0	185.2
Performance-related contingencies	18.5	18.7	18.6
Market related derivatives	6.2	3.8	5.0
All other	828.4	332.0	580.2
Total gross credit risk exposures, broken down by portfolio			
Claims secured by residential mortgage	4,088.8	3,895.7	3992.3
Other retail	25.1	25.2	25.2
Corporate	56.1	65.5	60.8
Banks and other ADIs	289.9	506.0	397.9
Government	334.8	305.9	320.3
RBA	479.7	11.7	245.7
All other	38.6	37.0	37.8
(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)		2021 Mar Quarter (Credit Risk Exposure in A$m)	2020 Dec Quarter (Credit Risk Exposure in A$m)	Average Balance for the Quarter (Credit Risk Exposure in A$m)
	Amount of past due items, by portfolio*			
	Claims secured by residential mortgage	6.7	6.8	6.7
	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	0.7	0.7	0.7
	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**	3.8	3.5	3.6

*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 160 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	
		2021 Q1	**2020 Q4**	**2021 Q1**	**2020 Q4**
	Residential Mortgage	-	-	-	-
	Total exposure securitized during the period	-	-	-	-

(b)		2021 Q1	2020 Q4
	On balance sheet securitisation exposure		
	Securities held in the banking book	172.4	183.8
	Total on balance sheet exposure	**172.4**	**183.8**
	Funding facilities	9.0	9.0
	Credit enhancements	16.0	16.0
	Derivatives - Basis swaps		-
	Total off balance sheet exposures	**25.0**	**25.0**

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 stress scenario.

BOCAL reported weighted average LCR of 184% in the quarter ended 31 March 2021, decreased by 9% compared to last quarter, as the outflow increased due to the growing customer deposit in LCR time bucket. BOCAL 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 equivalent 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 2021.

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 ratio associated with the Bank's retail funding base were relatively stable.

APS 330 Table 20 - LCR disclosure 2021Q1

		31 Mar 2021 Total unweighted value (average) $M	Total weighted value (average) $M
Liquid assets, of which:			
1	High-quality liquid assets (HQLA)		487
2	Alternative liquid assets (ALA)		138
3	Reserve Bank of New Zealand (RBNZ) securities		-
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	3,179	442
5	Stable deposits	1,260	63
6	Less stable deposits	1,919	379
7	Unsecured wholesale funding, of which:	135	122
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	-	-
9	Non-operational deposits (all counterparties)	120	122
10	Unsecured debt	-	-
11	Secured wholesale funding	-	-
12	Additional requirements, of which:	356	62
13	Outflows related to derivatives exposures and other collateral requirements	46	46
14	Outflows related to loss of funding on debt products	-	-
15	Credit and liquidity facilities	310	16
16	Other contractual funding obligations	27	24
17	Other contingent funding obligations	253	15
18	**Total cash outflows**	**3,950**	**665**
Cash inflows			
19	Secured lending	-	-
20	Inflows from fully performing exposures	275	271
21	Other cash inflows	53	53
22	**Total cash inflows**	**328**	**324**
23	**Total liquid assets**		**626**
24	**Total net cash outflows**		**341**
25	**Liquidity Coverage Ratio (%)**		**184%**
Number of data points used			**90**

BASEL Pillar 3
Public Disclosure of Prudential Information Part 4
under APS 330 – Dec 2020
Bank of China (Australia) Limited

APS 330 Table 20 - LCR disclosure 2020Q4

		31 Dec 2020 Total unweighted value (average) $M	Total weighted value (average) $M
Liquid assets, of which:			
1	High-quality liquid assets (HQLA)		**492**
2	Alternative liquid assets (ALA)		**98**
3	Reserve Bank of New Zealand (RBNZ) securities		**-**
Cash outflows			
4	Retail deposits and deposits from small business customers, of which:	**3,060**	**408**
5	Stable deposits	**1,216**	**61**
6	Less stable deposits	**1,844**	**347**
7	Unsecured wholesale funding, of which:	**131**	**116**
8	Operational deposits (all counterparties) and deposits in networks for cooperative banks	**-**	**-**
9	Non-operational deposits (all counterparties)	**131**	**116**
10	Unsecured debt	**-**	**-**
11	Secured wholesale funding		**-**
12	Additional requirements, of which:	**372**	**64**
13	Outflows related to derivatives exposures and other collateral requirements	**48**	**48**
14	Outflows related to loss of funding on debt products	**-**	**-**
15	Credit and liquidity facilities	**324**	**16**
16	Other contractual funding obligations	**47**	**43**
17	Other contingent funding obligations	**122**	**6**
18	**Total cash outflows**	**3,732**	**638**
Cash inflows			
19	Secured lending	**-**	**-**
20	Inflows from fully performing exposures	**263**	**259**
21	Other cash inflows	**73**	**73**
22	**Total cash inflows**	**336**	**332**
23	**Total liquid assets**		**590**
24	**Total net cash outflows**		**306**
25	**Liquidity Coverage Ratio (%)**		**193%**
Number of data points used (Calendar Days)			**92**