



Bank of China Limited

2024 Q1 Pillar 3 Disclosure Report

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1 Introduction

1.1 Basis of Disclosure

The Report is prepared and disclosed in accordance with the *Capital Rules for Commercial Banks (J.J.Z.J.L [2023] No. 4)* issued by the National Financial Regulatory Administration (“NFRA”), and other relevant provisions.

The Group has been approved to implement the advanced capital measurement approaches in April 2014. The Foundation Internal Rating-Based (FIRB) approach is adopted for general corporates and small or medium-sized entities (SMEs) credit risk exposures in the Bank’s Head Office, domestic branches and BOCHK, while the Advanced Internal Rating-Based (AIRB) approach is adopted for retail residential mortgages, qualifying revolving retail exposures (QRRE) as well as other retail risk exposures. The Standardised approach is adopted for other types of credit risk exposures and all credit risk exposures of other consolidated institutions.

1.2 Disclosure Statement

The Report is prepared in accordance with the *Capital Rules for Commercial Banks*, rather than financial accounting standards. Therefore, some information in the Report may not be directly comparable to the financial information in the financial reports from the same period. The terms the “Group” as used in the Report refer to all branches of Bank of China, both domestically and internationally, as well as its directly or indirectly invested financial institutions as defined in the *Capital Rules for Commercial Banks*, unless otherwise specified in the tables.

The Group has established a robust governance structure for pillar 3 regulatory capital disclosure, which is approved by the Board of Directors and implemented by the Senior Management through effective internal control processes. This ensures an appropriate review of information disclosure content and the authenticity and reliability of disclosed information.

2 Overview of risk management, key prudential metrics and RWA

2.1 KM1: Key metrics at consolidated group level

Amounts in millions of Renminbi (except percentages)

		a
		As at 31 March 2024
Available capital (amounts)		
1	Common Equity Tier 1 (CET1)	2,236,969
2	Tier 1	2,605,342
3	Total capital	<u>3,446,552</u>
Risk-weighted assets (amounts)		
4	Total risk-weighted assets (RWA)	18,607,150
4a	Total risk-weighted assets (pre-floor ¹)	<u>18,607,150</u>
Risk-based capital ratios as a percentage of RWA		
5	CET1 ratio (%)	12.02%
5a	CET1 ratio (%) (pre-floor)	12.02%
6	Tier 1 ratio (%)	14.00%
6a	Tier 1 ratio (%) (pre-floor)	14.00%
7	Total capital ratio (%)	18.52%
7a	Total capital ratio (%) (pre-floor)	<u>18.52%</u>
Additional CET1 buffer requirements as a percentage of RWA		
8	Capital conservation buffer requirement (%)	2.50%
9	Countercyclical buffer requirement (%)	0.00%
10	G-SIB and/or D-SIB additional requirements ² (%)	1.50%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)	4.00%
12	CET1 available after meeting the bank's minimum capital requirements ³ (%)	<u>7.02%</u>
Leverage ratio		
13	Adjusted on- and off-balance sheet exposures	35,433,515
14	Leverage ratio (%)	7.35%
14a	Leverage ratio a ⁴ (%)	7.35%
14b	Leverage ratio b ⁵ (%)	7.35%
14c	Leverage ratio c ⁶ (%)	<u>7.35%</u>

a
As at
31 March
2024

Liquidity Coverage Ratio (LCR)

15	Total high-quality liquid assets (HQLA)	5,376,050
16	Total net cash outflow	3,933,944
17	LCR (%)	<u>136.90%</u>

Net Stable Funding Ratio (NSFR)

18	Total available stable funding	22,182,957
19	Total required stable funding	17,924,144
20	NSFR ⁷ (%)	<u><u>123.76%</u></u>

Supplementary description:

1. In Line 4a, “Total risk-weighted assets (pre-floor)” means that a commercial bank’s partial or all risk-weighted assets calculated by the advanced approach for capital measurement shall be no less than 72.5% of the total risk-weighted assets calculated by other approaches. As at March 31, 2024, the Group’s risk-weighted assets did not touch the capital floor;
2. In Line 10, “G-SIB and/or D-SIB additional requirements” means that as at the end of the reporting period, the Group is classified as a D-SIB in bucket 4, subject to a 1% additional capital requirement. Simultaneously, it is classified under bucket 2 among G-SIBs, subject to a 1.5% additional capital requirement. The additional capital requirement for the Group is determined to be 1.5% based on the higher of the two;
3. In Line 12, “CET1 available after meeting the bank’s minimum capital requirements (%)” refers to the difference between Line 5 and the minimum requirement of 5% for core tier 1 capital adequacy ratio;
4. In Line 14a, “Leverage ratio a” refers to the leverage ratio without considering the temporary exemption from required reserves;
5. In Line 14b, “Leverage ratio b” refers the leverage ratio calculated by considering the temporary exemption from required reserves and using the simple arithmetic average of the daily balance of securities financing transactions in last quarter;
6. In Line 14c, “Leverage ratio c” refers the leverage ratio calculated without considering the temporary exemption from required reserves but using the simple arithmetic average of the daily balance of securities financing transactions in last quarter;
7. In Line 20, “NSFR” are the ending values of each quarter.

2.2 OV1: Overview of RWA

Amounts in millions of Renminbi

	a	b
	RWA	Minimum capital requirements
	As at	As at
	31 March	31 March
	2024	2024
1 Credit risk	17,103,255	1,368,261
2 Credit risk (excluding counterparty credit risk, Credit valuation adjustment risk, Equity investments in funds in banking book and Securitisation exposures in banking book), of which:	16,761,042	1,340,883
3 Standardised approach (SA), of which:	6,242,551	499,404
4 Unsettled securities, commodities, and foreign exchange transactions	–	–
5 Amounts below the thresholds for deduction (subject to 250% risk weight)	269,650	21,572
6 Foundation internal ratings-based (F-IRB) approach	8,819,346	705,548
7 Supervisory slotting approach	2,684	214
8 Advanced internal ratings-based (A-IRB) approach	1,696,461	135,717
9 Counterparty credit risk, of which:	120,799	9,664
10 Standardised approach for counterparty credit risk	120,799	9,664
11 CEM	–	–
12 Other CCR	–	–
13 Credit valuation adjustment (CVA)	34,212	2,737
14 Equity investments in funds in banking book, of which:	138,906	11,113
15 Look-through approach	56,834	4,547
16 Mandate-based approach	82,072	6,566
17 1250% Risk weight	–	–
18 Securitisation exposures in banking book, of which:	48,296	3,864
19 Securitisation IRB approach (SEC-IRBA)	–	–
20 Securitisation external ratings-based approach (SEC-ERBA) ¹	48,296	3,864
21 Securitisation standardised approach (SEC-SA)	–	–

	a	b
	RWA	Minimum capital requirements
	As at	As at
	31 March	31 March
	2024	2024
22 Market risk, of which:	259,194	20,735
23 Standardised approach (SA)	259,194	20,735
24 Internal model approach (IMA)	–	–
25 Simplified standard approach	–	–
26 Capital charge for switch between trading book and banking book	–	–
27 Operational risk	1,244,701	99,576
28 Floor adjustment	–	–
29 Total	18,607,150	1,488,572

Supplementary description:

1. In Line 20, securitisation exposures applied 1250% risk weight are included.

3 Macro-Prudential Supervision Measures

For information on our global systemically important banks (G-SIBs) indicators, please visit Bank of China's official website and navigate to Investor Relations > Financial Reports (URL: <https://www.boc.cn/investor/ir3/index.html>)

4 Leverage ratio

4.1 LR1: Summary comparison of accounting assets vs leverage ratio exposure measure

Amounts in millions of Renminbi

	a
	As at
	31 March
	2024
1 Total consolidated assets	33,659,046
2 Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(517,646)
3 Adjustment for fiduciary assets	–
4 Adjustments for derivative financial instruments	132,857
5 Adjustment for securities financing transactions	480
6 Adjustment for off-balance sheet exposures	2,179,720
7 Adjustment for securitised exposures	–
8 Adjustments for regular-way purchases and sales of financial assets	–
9 Adjustments for eligible cash pooling transactions	–
10 Adjustments for temporary exemption of central bank reserves (if applicable)	–
11 Adjustments for prudent valuation adjustments and provisions	–
12 Other adjustments	(20,942)
13 Adjusted on- and off-balance sheet exposures	<u>35,433,515</u>

4.2 LR2: Leverage ratio common disclosure template

Amounts in millions of Renminbi (except percentages)

	a
	As at 31 March 2024
On-balance sheet exposures	
1 On-balance sheet assets (excluding derivatives and securities financing transactions (SFTs))	33,159,480
2 Less: Provisions associated with on-balance sheet exposures	(539,463)
3 Less: Tier 1 capital deductions	(20,942)
4 Total on-balance sheet exposures (excluding derivatives and SFTs)	<u>32,599,075</u>
Derivative exposures	
5 Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin and/or with bilateral netting)	66,222
6 Add-on amounts for potential future exposure associated with all derivatives transactions	215,783
7 Gross-up for derivatives collateral provided where deducted from the balance sheet assets	–
8 Less: Deductions of receivable assets for cash variation margin provided in derivatives transactions	(282)
9 Less: Exempted CCP leg of client-cleared trade exposures	–
10 Adjusted effective notional amount of written credit derivatives	–
11 Less: Deductible amounts for written credit derivatives	–
12 Total derivative exposures	<u>281,723</u>
Securities financing transaction exposures	
13 Accounting balance for securities financing transaction assets	372,517
14 Less: Deducted amounts for SFT assets	–
15 Counterparty credit risk exposure for SFT assets	480
16 Agent transaction exposures	–
17 Total securities financing transaction exposures	<u>372,997</u>
Other off-balance sheet exposures	
18 Off-balance sheet exposure at gross notional amount	7,566,445
19 Less: Adjustments for conversion to credit equivalent amounts	(5,366,608)
20 Less: Provisions associated with off-balance sheet exposures	(20,117)
21 Adjusted off-balance sheet exposures	<u>2,179,720</u>
Capital and total exposures	
22 Tier 1 capital	2,605,342
23 Adjusted on- and off-balance sheet exposures	<u>35,433,515</u>

a
As at
31 March
2024

Leverage ratio

24	Leverage ratio	7.35%
24a	Leverage ratio a	7.35%
25	National minimum leverage ratio requirement	4.00%
26	Applicable leverage buffers	0.75%

Disclosure of mean values

27	Mean value of gross SFT assets	392,024
27a	Quarter-end value of gross SFT assets	372,517
28	Adjusted on- and off-balance sheet exposures a ¹	35,453,022
28a	Adjusted on- and off-balance sheet exposures b ²	35,453,022
29	Leverage ratio b	7.35%
29a	Leverage ratio c	7.35%

Supplementary description:

1. In Line 28, “Adjusted on- and off-balance sheet exposures a” refers to the balance of adjusted on- and off-balance-sheet assets calculated by considering the temporary exemption from required reserves and using the simple arithmetic average of the daily balance of securities financing transactions;
2. In Line 28a, “Adjusted on- and off-balance sheet exposures b” refers to the balance of adjusted on- and off-balance-sheet assets calculated without considering the temporary exemption from required reserves but using the simple arithmetic average of the daily balance of securities financing transactions.

5 Liquidity

According to the Disclosure Rules on Liquidity Coverage Ratio of Commercial Banks, the Group disclosed the information of liquidity coverage ratio (“LCR”)¹ as follows.

Regulatory requirements of liquidity coverage ratio

As stipulated by the Rules on Liquidity Risk Management of Commercial Banks issued by NFRA, the minimum regulatory requirement of LCR is 100%.

The Group’s liquidity coverage ratio

Since 2017, the Group measured the LCR on a day-to-day consolidated basis². In the first quarter of 2024, the Group measured a total of 91 days of LCR on this basis, with average ratio³ standing at 136.90%, representing an increase of 1.60 percentage points over the previous quarter, which was primarily due to the increase in the high-quality liquid assets (“HQLA”).

	2024	2023		
	As at 31 March	As at 31 December	As at 30 September	As at 30 June
Liquidity Coverage Ratio	136.90%	135.30%	127.93%	130.99%

5.1 LIQ1: Liquidity Coverage Ratio (LCR)

Amounts in millions of Renminbi (except percentages)

	a	b
	As at 31 March 2024	
	Total unweighted value	Total weighted value
High-quality liquid assets		
1		5,376,050
Cash outflows		
2	Retail deposits and deposits from small business customers, of which:	
		811,616
3	Stable deposits	304,915
4	Less stable deposits	506,701
5	Unsecured wholesale funding, of which:	4,587,879
6	Operational deposits (excluding those generated from correspondent banking activities)	1,378,692
7	Non-operational deposits (all counterparties)	3,195,163
8	Unsecured debts	14,024
9	Secured funding	6,196
10	Additional requirements, of which:	3,122,779
11	Outflows related to derivative exposures and other collateral requirements	3,007,071
12	Outflows related to loss of funding on debt products	1
13	Credit and liquidity facilities	115,707
14	Other contractual funding obligations	89,190
15	Other contingent funding obligations	101,903
16	Total cash outflows	8,719,563
Cash inflows		
17	Secured lending (Includes reverse repos and securities borrowing)	420,081
18	Inflows from fully performing exposures	1,300,161
19	Other cash inflows	3,065,377
20	Total cash inflows	4,785,619
		Adjusted value
21	Total HQLA	5,376,050
22	Total net cash outflows	3,933,944
23	Liquidity Coverage Ratio (%)	136.90%

Supplementary description:

1. The LCR aims to ensure that commercial banks have sufficient HQLA that can be converted into cash to meet the liquidity requirements for at least thirty days under stress scenarios determined by the NFRA;
2. When calculating the consolidated NSFR, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life etc., were excluded from the scope of consolidation in accordance with the requirements of the NFRA;
3. The average of LCR and the averages of all related individual items are the day-end simple arithmetic averages of figures over each quarter.