

Supplementary Information

(Amount in millions of Renminbi, unless otherwise stated)

I DIFFERENCES BETWEEN IFRS AND CAS CONSOLIDATED FINANCIAL STATEMENTS

There are no differences in the Group's operating results for the years ended 31 December 2018 and 2017 or total equity as at 31 December 2018 and 2017 presented in the Group's consolidated financial statements prepared under IFRS and those prepared under CAS.

II UNAUDITED SUPPLEMENTARY INFORMATION

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio

	As at 31 December	
	2018	2017
RMB current assets to RMB current liabilities	58.71%	47.09%
Foreign currency current assets to foreign currency current liabilities	54.78%	56.93%

The liquidity ratios are calculated in accordance with the relevant provisions of the CBIRC.

Liquidity coverage ratio

According to the *Measures for the Information Disclosure of 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 CBIRC, the commercial banks' LCR should reach 100% by the end of 2018. During the transition period, the LCR should be no lower than 90%. During the transition period, eligible commercial banks are encouraged to fulfil the requirements in advance, and banks with LCR already reaching 100% are encouraged to continuously maintain it at 100% or above.

The Group's liquidity coverage ratio

Since 2017, the Group measured the LCR on a day-to-day consolidated basis⁽²⁾. In the fourth quarter of 2018, the Group measured 92-day LCR on this basis, with average ratio standing at 139.66%⁽³⁾, representing an increase of 5.93 percentage points over the previous quarter, which was primarily due to the increase in the high-quality liquid assets ("HQLA").

The Group's HQLA is comprised of cash, central bank reserves which are able to be drawn down under stress scenarios, and debt securities that meet the qualifying criteria for Level 1 or Level 2 assets pursuant to the *Rules on Liquidity Risk Management of Commercial Banks* by the CBIRC.

	2018			
	Quarter ended	Quarter ended	Quarter ended	Quarter ended
	31 December	30 September	30 June	31 March
Average value of LCR	139.66%	133.73%	126.55%	117.81%

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

The Group's liquidity coverage ratio (Continued)

The Group's average values of LCR individual line items in the fourth quarter of 2018 are as follows:

No.		Total un-weighted value	Total weighted value
High-quality liquid assets			
1	Total high-quality liquid assets (HQLA)		3,976,211
Cash outflows			
2	Retail deposits and deposits from small business customers, of which:	6,604,613	484,171
3	Stable deposits	3,400,040	163,714
4	Less stable deposits	3,204,573	320,457
5	Unsecured wholesale funding, of which:	8,309,190	3,234,793
6	Operational deposits (excluding those generated from correspondent banking activities)	4,491,419	1,108,290
7	Non-operational deposits (all counterparties)	3,784,094	2,092,826
8	Unsecured debt	33,677	33,677
9	Secured funding		5,516
10	Additional requirements, of which:	3,000,558	1,892,802
11	Outflows related to derivative exposures and other collateral requirements	1,790,120	1,790,120
12	Outflows related to loss of funding on debt products	2,838	2,838
13	Credit and liquidity facilities	1,207,600	99,844
14	Other contractual funding obligations	54,521	54,521
15	Other contingent funding obligations	2,340,343	53,666
16	Total cash outflows		5,725,469
Cash inflows			
17	Secured lending (including reverse repos and securities borrowing)	120,789	109,553
18	Inflows from fully performing exposures	1,326,395	871,426
19	Other cash inflows	1,981,892	1,892,741
20	Total cash inflows	3,429,076	2,873,720
			Total adjusted value
21	Total HQLA		3,976,211
22	Total net cash outflows		2,851,749
23	Liquidity coverage ratio (%)		139.66%

- (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 CBIRC.
- (2) When calculating the consolidated LCR, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the requirements of the CBIRC.
- (3) The average of LCR and the averages of all related individual items are the day-end simple arithmetic averages of figures.

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

1 Liquidity ratios, liquidity coverage ratio and net stable funding ratio (Continued)

Net stable funding ratio

The net stable funding ratio ("NSFR") is introduced to ensure commercial banks have sufficient stable funding to meet the requirements of assets and off-balance sheet exposures. According to the *Rules on Liquidity Risk Management of Commercial Banks*, NSFR should be no less than 100% from 1 July 2018.

The formula for calculating the NSFR is:

$$\text{Net stable funding ratio} = \text{available stable funding} / \text{required stable funding} \times 100\%$$

Available stable funding refers to sum of products of carrying value of an institution's capital and liabilities with associated available stable funding factors. Required stable funding refers to sum of products of carrying value of an institution's assets and off-balance sheet exposures with associated required stable funding factors.

As at 31 December 2018, the Group's⁽¹⁾ NSFR was 125.60%, which met the regulatory requirement.

Indicators	Value
Available stable funding	13,771,501
Required stable funding	10,964,878
Net stable funding ratio	125.60%

(1) When calculating the consolidated NSFR, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the requirements of the CBIRC.

2 Currency concentrations

The following information is computed in accordance with the provisions of the CBIRC.

	Equivalent in millions of RMB			Total
	USD	HKD	Other	
As at 31 December 2018				
Spot assets	3,679,148	1,488,089	1,445,560	6,612,797
Spot liabilities	(4,207,568)	(1,863,120)	(1,406,375)	(7,477,063)
Forward purchases	6,113,388	750,992	1,195,354	8,059,734
Forward sales	(5,492,047)	(409,454)	(1,245,872)	(7,147,373)
Net options position*	(40,858)	(258)	(1,885)	(43,001)
Net long/(short) position	52,063	(33,751)	(13,218)	5,094
Structural position	52,685	219,887	70,141	342,713
As at 31 December 2017				
Spot assets	1,158,457	20,384	450,791	1,629,632
Spot liabilities	(1,354,531)	(378,404)	(378,637)	(2,111,572)
Forward purchases	4,826,149	655,260	1,174,088	6,655,497
Forward sales	(4,524,308)	(338,715)	(1,250,349)	(6,113,372)
Net options position*	(52,215)	463	(12,922)	(64,674)
Net long/(short) position	53,552	(41,012)	(17,029)	(4,489)
Structural position	35,084	206,661	67,696	309,441

* The net option position is calculated in accordance with the relevant provision of the CBIRC.

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

3 International claims

The Group discloses international claims according to *Banking (Disclosure) Rules* (L.N. 160 of 2014). International claims are risk exposures generated from the countries or geographical areas where the counterparties take the ultimate risk while considering the transfer of the risk, exclude local claims on local residents in local currency. Risk transfer is only made if the claims are guaranteed by a party in a country which is different from that of the counterparty or if the claims are on an overseas branch of a counterparty whose head office is located in another country.

International claims include "Balances with central banks", "Due from and placements with and loans to banks and other financial institutions", "Government certificates of indebtedness for bank notes issued", "Financial assets at fair value through profit or loss", "Loans and advances to customers" and "Financial investments".

International claims have been disclosed by major countries or geographical areas. A country or geographical area is reported where it constitutes 10% or more of the aggregate amount of international claims, after taking into account any risk transfers.

	Banks	Official sector	Non-bank private sector	Total
As at 31 December 2018				
Asia Pacific				
Chinese mainland	608,194	418,266	701,782	1,728,242
Hong Kong	18,193	1	469,543	487,737
Other Asia Pacific locations	80,097	33,887	371,850	485,834
Subtotal	706,484	452,154	1,543,175	2,701,813
North and South America	59,618	224,329	145,386	429,333
Other	54,341	77,159	234,936	366,436
Total	820,443	753,642	1,923,497	3,497,582
As at 31 December 2017				
Asia Pacific				
Chinese mainland	695,126	188,160	775,963	1,659,249
Hong Kong	14,442	–	461,546	475,988
Other Asia Pacific locations	80,331	84,812	307,773	472,916
Subtotal	789,899	272,972	1,545,282	2,608,153
North and South America	46,815	172,661	167,913	387,389
Other	70,518	51,318	183,639	305,475
Total	907,232	496,951	1,896,834	3,301,017

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

4 Overdue assets

For the purpose of the table below, the entire outstanding balance of “Loans and advances to customers” and “Placements with and loans to banks and other financial institutions” are considered overdue if either principal or interest payment is overdue.

4.1 Total amount of overdue loans and advances to customers

	As at 31 December	
	2018	2017
Total loans and advances to customers which have been overdue		
within 3 months	84,754	71,356
between 3 and 6 months	24,673	20,202
between 6 and 12 months	45,816	37,955
over 12 months	64,708	73,329
Total	219,951	202,842
Percentage		
within 3 months	0.72%	0.65%
between 3 and 6 months	0.21%	0.19%
between 6 and 12 months	0.39%	0.35%
over 12 months	0.55%	0.67%
Total	1.87%	1.86%

4.2 Total amount of overdue Placements with and loans to banks and other financial institutions

The total amount of overdue “Placements with and loans to banks and other financial institutions” as at 31 December 2018 and 2017 is not considered material.

5 Leverage ratio

The leverage ratios of the Group calculated in accordance with the *Administrative Measures for the Leverage Ratio of Commercial Banks (Revised)* and the *Capital Rules for Commercial Banks (Provisional)* are as follows⁽¹⁾:

	2018			
	As at 31 December	As at 30 September	As at 30 June	As at 31 March
Net tier 1 capital	1,575,293	1,542,039	1,486,972	1,470,837
Adjusted on- and off-balance sheet assets	22,700,133	22,556,634	21,764,394	21,671,433
Leverage ratio	6.94%	6.84%	6.83%	6.79%

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

5 Leverage ratio (Continued)

No.	Items	As at 31 December 2018
1	Total consolidated assets	21,267,275
2	Adjustments that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(9,913)
3	Adjustments for fiduciary assets	–
4	Adjustments for derivative financial instruments	116,621
5	Adjustments for securities financing transactions	93,418
6	Adjustments for off-balance sheet exposures	1,571,429
7	Other adjustments	(338,697)
8	Adjusted on- and off-balance sheet assets	22,700,133

No.	Items	As at 31 December 2018
1	On-balance sheet assets (excluding derivatives and securities financing transactions)	20,556,183
2	Less: Tier 1 capital deductions	(22,241)
3	Total on-balance sheet exposures (excluding derivatives and SFTs)	20,533,942
4	Replacement cost associated with all derivative transactions (i.e. net of eligible cash variation margin)	123,986
5	Add-on amounts for potential future exposure associated with all derivative transactions	116,761
6	Gross-up for derivative collateral provided where deducted from the balance sheet assets	–
7	Less: Deductions of receivable assets for cash variation margin provided in derivative transactions	–
8	Less: Exempted CCP leg of client-cleared trade exposures	–
9	Adjusted effective notional amount of written credit derivatives	–
10	Less: Deductible amounts for written credit derivatives	–
11	Total derivative exposures	240,747
12	Accounting balance for securities financing transaction assets	260,207
13	Less: Deducted amounts for securities financing transaction assets	–
14	Counterparty credit risk exposure for securities financing transaction assets	93,808
15	Agent transaction exposures	–
16	Balance of assets in securities financing transactions	354,015
17	Off-balance sheet items	4,243,221
18	Less: Adjustments for conversion to credit equivalent amounts	(2,671,792)
19	Adjusted off-balance sheet exposures	1,571,429
20	Net tier 1 capital	1,575,293
21	Adjusted on- and off-balance sheet exposures	22,700,133
22	Leverage ratio	6.94%

- (1) When calculating the consolidated leverage ratio, BOCG Investment, BOC Insurance, BOCG Insurance and BOCG Life were excluded from the scope of consolidation in accordance with the *Capital Rules for Commercial Banks (Provisional)*.

(Amount in millions of Renminbi, unless otherwise stated)

II UNAUDITED SUPPLEMENTARY INFORMATION (Continued)

6 Global systemic importance assessment indicators of commercial banks

The following global systemic importance assessment indicators of commercial banks are disclosed in accordance with the *Guidelines for the Disclosure of Global Systemic Importance Assessment Indicators of Commercial Banks* (Yin Jian Fa, [2014] No. 1).

No.	Indicators ⁽¹⁾	2018 value
1	Adjusted on-balance and off-balance sheet assets	22,700,133
2	Intra-financial system assets	1,984,614
3	Intra-financial system liabilities	1,931,660
4	Securities and other financing instruments	3,289,094
5	Payments settled via payment systems or correspondent banks	584,485,591
6	Assets under custody	9,663,845
7	Underwritten transactions in debt and equity markets	1,857,785
8	Notional amount of over-the-counter derivatives	11,233,344
9	Trading and available for sale securities	937,778
10	Level 3 assets	28,866
11	Cross-jurisdictional claims	3,440,512
12	Cross-jurisdictional liabilities	4,470,366

(1) The above indicators are calculated and disclosed in accordance with the *Guidelines for the Disclosure of Global Systemic Importance Assessment Indicators of Commercial Banks*, which are unaudited and inconsistent with the disclosures in the financial report.