

APRA BASEL III Pillar 3 Disclosures

QUARTER ENDED 28 FEBRUARY 2014

11 April 2014

This report has been prepared by Bank of Queensland Limited (BOQ) to meet its disclosure requirements under the Australian Prudential Regulation Authority (APRA) Australian Prudential Standard (APS) 330 Capital Adequacy: Public Disclosure. It has been prepared using 28 February 2014 data.

Key points

The disclosures provided within, have been prepared in accordance with the changes to APRA's capital rules (effective 1 January 2013). The Bank's Total Capital ratio has increased to 12.4% in February 2014 from 12.2% at November 2013.

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TABLE 15: CAPITAL STRUCTURE

	February 14 \$m	August 13 \$m
Common Equity Tier 1 Capital		
Paid-up ordinary share capital	2,593.0	2,562.6
Reserves	36.0	41.7
Retained earnings, including current year earnings	186.9	149.6
Total Common Equity Tier 1 Capital	2,815.9	2,753.9
Regulatory adjustments		
Goodwill and intangibles	(598.3)	(586.8)
Deferred expenditure	(121.2)	(124.5)
Other deductions	(176.2)	(182.0)
Total regulatory adjustments	(895.7)	(893.3)
Net Common Equity Tier 1 Capital	1,920.2	1,860.6
Additional Tier 1 Capital	300.0	300.0
Net Tier 1 Capital	2,220.2	2,160.6
Tier 2 Capital		
Tier 2 Capital	270.0	270.0
General reserve for credit losses	204.4	207.7
Total Tier 2 Capital	474.4	477.7
Total Capital Base	2,694.6	2,638.3

TABLE 16: CAPITAL ADEQUACY

Risk Weighted Assets (\$m)	February 14	November 13
Subject to the Standardised approach		
Government	4.3	4.7
Bank	339.9	244.0
Residential mortgage	10,995.6	11,015.8
Other retail	7,818.1	7,697.3
Other	57.8	74.8
Total on balance sheet assets and off balance sheet exposures	19,215.7	19,036.6
Securitisation exposures⁽¹⁾	246.1	239.5
Market risk exposures	311.7	320.4
Operational risk exposures	1,943.8	1,877.5
Total Risk Weighted Assets	21,717.3	21,474.0
Capital ratios		
	%	%
Level 2 Total Capital ratio	12.4	12.2
Level 2 Common Equity Tier 1 Capital ratio	8.8	8.6
Level 2 Net Tier 1 Capital ratio	10.2	10.0

Note:

(1) Refer to Table 18 for securitisation exposures.

TABLE 17: CREDIT RISK

Exposure Type	Gross Credit Exposure ⁽¹⁾ (\$m)		Average Gross Credit Exposure (\$m)	
	February 14	November 13	February 14	November 13
Cash and due from financial institutions	688.1	807.5	747.8	773.4
Debt securities	1,075.5	647.5	861.5	591.9
Loans and advances	32,089.9	31,936.5	32,013.3	31,935.4
Off balance sheet exposures for derivatives	217.7	205.5	211.6	239.8
Other off balance sheet exposures ⁽²⁾	763.7	760.3	762.0	729.5
Other	44.5	43.1	43.8	42.4
Total exposures	34,879.4	34,400.4	34,640.0	34,312.4

Portfolios subject to Standardised approach	Gross Credit Exposure ⁽¹⁾ (\$m)		Average Gross Credit Exposure (\$m)	
	February 14	November 13	February 14	November 13
Government	506.3	447.3	476.8	423.8
Bank	1,499.5	1,240.5	1,370.0	1,208.5
Residential Mortgage	25,014.7	24,972.8	24,993.8	24,953.3
Other retail	7,801.1	7,680.2	7,740.7	7,668.4
Other	57.8	59.6	58.7	58.4
Total exposures	34,879.4	34,400.4	34,640.0	34,312.4

Notes:

(1) Gross credit exposures reflect credit equivalent amounts.

(2) Other off balance sheet exposures largely relate to customer commitments.

TABLE 17: CREDIT RISK (CONTINUED)

February 14

Portfolios subject to the Standardised approach	Impaired loans ⁽¹⁾ \$m	Past due loans > 90 days \$m	Specific provision balance \$m	Charges for specific provision \$m	Write-offs \$m
Corporate	-	-	-	-	-
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	200.6	142.1	52.1	(2.3)	7.3
Other retail	163.7	114.0	98.1	(11.6)	30.8
Other	-	-	-	-	-
Total	364.3	256.1	150.2	(13.9)	38.1

November 13

Portfolios subject to the Standardised approach	Impaired loans \$m	Past due loans > 90 days \$m	Specific provision balance \$m	Charges for specific provision \$m	Write-offs \$m
Corporate	-	-	-	-	-
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential Mortgage	226.5	151.5	52.9	(1.4)	11.4
Other retail	190.0	127.6	109.8	(8.8)	22.3
Other	-	-	-	-	-
Total	416.5	279.1	162.7	(10.2)	33.7

Reconciliation of general reserve for credit losses	February 14 \$m	November 13 \$m
Statutory equity reserve for credit losses	70.2	70.2
Collective provision	134.2	137.1
APRA general reserve for credit losses	204.4	207.3

Note:

(1) Reconciliation of Impaired loans	February 14 \$m	August 13 \$m
Impaired assets per Table 17: Credit Risk	364.3	499.6
Add: Impaired assets in off balance sheet securitisation trusts	4.7	30.1
Less: Restructured facilities included in APS 220	70.6	148.1
Impaired assets per Investor Information	298.4	381.6

TABLE 18: SECURITISATION EXPOSURES

Exposure Type	February 14		November 13	
	Current Period Securitisation Activity \$m	Gain or Loss on Sale \$m	Current Period Securitisation Activity \$m	Gain or Loss on Sale \$m
Securities held in the banking book	53.8	-	343.2	-
Securities held in the trading book	-	-	-	-
Liquidity facilities	-	-	3.3	-
Funding facilities	-	-	-	-
Swaps	(11.9)	-	(20.3)	-
Other ⁽¹⁾	(24.6)	-	(16.5)	-
Total	17.3	-	309.7	-

February 14

Securitisation Exposure	Securities held in the banking book \$m	Securities held in the trading book \$m	Liquidity facilities \$m	Funding facilities \$m	Swaps \$m	Other ⁽¹⁾ \$m
On-balance sheet securitisation exposure retained or purchased	917.8	-	53.2	8.4	-	3,166.8
Off-balance sheet securitisation exposure	-	-	-	-	98.4	-
Total	917.8	-	53.2	8.4	98.4	3,166.8

November 13

Securitisation Exposure	Securities held in the banking book \$m	Securities held in the trading book \$m	Liquidity facilities \$m	Funding facilities \$m	Swaps \$m	Other ⁽¹⁾ \$m
On-balance sheet securitisation exposure retained or purchased	864.0	-	53.2	8.4	-	3,191.4
Off-balance sheet securitisation exposure	-	-	-	-	110.3	-
Total	864.0	-	53.2	8.4	110.3	3,191.4

Note:

(1) Exposures relate to notes held in the Bank's on balance sheet securitisation vehicles.

RECONCILIATION BETWEEN THE CONSOLIDATED INTERIM AND REGULATORY BALANCE SHEETS

The below represents the Consolidated Interim Balance Sheet adjusted for non-consolidated subsidiaries and non-capital efficient securitisation trusts to reflect the Regulatory Balance Sheet at 28 February 2014.

	Group Balance Sheet \$m	Adjustments \$m	Level 2 Regulatory Balance Sheet \$m	Common Disclosure Template reference
Assets				
Cash and liquid assets	803.3	(116.0)	687.3	-
Due from other financial institutions	102.2	(78.4)	23.8	-
Financial assets available for sale	2,008.5	(9.5)	1,999.0	-
Financial assets held for trading	3,434.0	-	3,434.0	-
Derivative financial instruments	210.2	(32.8)	177.4	-
Loans and advances at amortised cost	35,013.4	(3,129.7)	31,883.7	-
of which: Deferred fee income			102.5	F
of which: Collective provision			134.2	M
Investments in non-consolidated subsidiaries	-	59.3	59.3	-
of which: financial subsidiaries			49.8	N
of which: other financial entities			2.6	G
of which: non-financial entities			6.9	O
Current tax assets	-	-	-	-
Property, plant and equipment	44.8	(0.3)	44.5	-
Deferred tax assets	95.2	4.4	99.6	H
of which: Available for sale			3.2	C
Other assets	94.6	59.8	154.4	-
of which: Capitalised expenses			3.3	I
of which: Securitisation costs			24.4	J
Intangibles assets	602.2	(3.9)	598.3	E
Investment in joint ventures accounted for using the equity method	21.1	(13.3)	7.8	O
Total Assets	42,429.5	(3,260.4)	39,169.1	-
Liabilities				
Due to other financial institutions	194.6	-	194.6	-
Deposits	31,968.0	94.7	32,062.7	-
Derivative financial instruments	115.8	(15.8)	100.0	-
Accounts payable and other liabilities	334.3	11.5	345.8	-
Current tax liabilities	39.9	-	39.9	-
Provisions	74.3	(9.6)	64.7	-
Insurance policy liability	66.8	(66.8)	-	-
Borrowings including loan capital	6,755.0	(3,276.5)	3,478.5	
of which: Additional Tier 1 capital instrument			300.0	K
of which: Tier 2 capital instrument			270.0	L
of which: Debt raising costs			6.3	J
Total Liabilities	39,548.7	(3,262.5)	36,286.2	-
Net Assets	2,880.8	2.1	2,882.9	-
Equity				
Issued capital	2,593.0	-	2,593.0	A
Reserves	105.0	(2.0)	103.0	-
of which: General reserve for credit losses			70.2	M
of which: Employee benefits reserve			30.6	C
of which: Cash flow hedge reserve			(5.8)	D
of which: Available for sale and foreign currency translation reserve			8.0	C
Retained profits ⁽¹⁾	182.8	4.1	186.9	B
Total Equity	2,880.8	2.1	2,882.9	-

Note: (1) Retained profits is higher on Level 2 as a result of dividends paid up from non-consolidated subsidiaries.

COMMON DISCLOSURE TEMPLATE

Common Equity Tier 1 capital: instruments and reserves		\$m	Ref
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	2,593.0	A
2	Retained earnings	186.9	B
3	Accumulated other comprehensive income (and other reserves)	36.0	C + D
4	<i>Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)</i>	-	
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	
6	Common Equity Tier 1 capital before regulatory adjustments	2,815.9	
Common Equity Tier 1 capital : regulatory adjustments		\$m	Ref
7	Prudential valuation adjustments	-	
8	Goodwill (net of related tax liability)	487.5	E
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	110.8	E
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	
11	Cash-flow hedge reserve	(5.8)	D
12	Shortfall of provisions to expected losses	-	
13	Securitisation gain on sale (as set out in paragraph 562 of Basel II framework)	-	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	-	
15	Defined benefit superannuation fund net assets	-	
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)	-	
17	Reciprocal cross-holdings in common equity	-	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
19	Significant investments in the ordinary shares of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)	-	
20	Mortgage service rights (amount above 10% threshold)	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	-	
22	Amount exceeding the 15% threshold	-	
23	of which: significant investments in the ordinary shares of financial entities	-	
24	of which: mortgage servicing rights	-	
25	of which: deferred tax assets arising from temporary differences	-	
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	303.2	
26a	of which: treasury shares	-	
26b	of which: offset to dividends declared under a dividend reinvestment plan (DRP), to the extent that the dividends are used to purchase new ordinary shares issued by the ADI	-	
26c	of which: deferred fee income	102.5	F
26d	of which: equity investments in financial institutions not reported in rows 18, 19 and 23	52.4	G + N
26e	of which: deferred tax assets not reported in rows 10, 21 and 25	99.6	H
26f	of which: capitalised expenses	3.3	I
26g	of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	14.7	O
26h	of which: covered bonds in excess of asset cover in pools	-	
26i	of which: undercapitalisation of a non-consolidated subsidiary	-	
26j	of which: other national specific regulatory adjustments not reported in rows 26a to 26i	30.7	J
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	
28	Total regulatory adjustments to Common Equity Tier 1	895.7	
29	Common Equity Tier 1 Capital (CET1)	1,920.2	

Additional Tier 1 Capital: instruments		\$m	Ref
30	Directly issued qualifying Additional Tier 1 instruments	300.0	K
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	300.0	
33	Directly issued capital instruments subject to phase out from Additional Tier 1	-	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)	-	
35	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
36	Additional Tier 1 Capital before regulatory adjustments	300.0	

Additional Tier 1 Capital: regulatory adjustments		\$m	Ref
37	Investments in own Additional Tier 1 instruments	-	
38	Reciprocal cross-holdings in Additional Tier 1 instruments	-	
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	-	
41	National specific regulatory adjustments (sum of rows 41a, 41b and 41c)	-	
41a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
41b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40	-	
41c	of which: other national specific regulatory adjustments not reported in rows 41a and 41b	-	
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	
43	Total regulatory adjustments to Additional Tier 1 capital	-	
44	Additional Tier 1 capital (AT1)	300.0	
45	Tier 1 Capital (T1=CET1+AT1)	2,220.2	

Tier 2 Capital: instruments and provisions		\$m	Ref
46	Directly issued qualifying Tier 2 instruments	-	
47	Directly issued capital instruments subject to phase out from Tier 2	270.0	L
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group T2)	-	
49	<i>of which: instruments issued by subsidiaries subject to phase out</i>	-	
50	Provisions	204.4	M
51	Tier 2 Capital before regulatory adjustments	474.4	

Tier 2 Capital: regulatory adjustments		\$m	Ref
52	Investments in own Tier 2 instruments	-	
53	Reciprocal cross-holdings in Tier 2 instruments	-	
54	Investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the ADI does not own more than 10% of the issued share capital (amount above 10% threshold)	-	
55	Significant investments in the Tier 2 capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions	-	
56	National specific regulatory adjustments (sum of rows 56a, 56b and 56c)	-	
56a	of which: holdings of capital instruments in group members by other group members on behalf of third parties	-	
56b	of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55	-	
56c	of which: other national specific regulatory adjustments not reported in rows 56a and 56b	-	
57	Total regulatory adjustments to Tier 2 capital	-	
58	Tier 2 capital (T2)	474.4	
59	Total capital (TC=T1+T2)	2,694.6	
60	Total risk-weighted assets based on APRA standards	21,717.3	
Capital ratios and buffers		\$m	Ref
61	Common Equity Tier 1 (as a percentage of risk-weighted assets)	8.8%	
62	Tier 1 (as a percentage of risk-weighted assets)	10.2%	
63	Total capital (as a percentage of risk-weighted assets)	12.4%	
64	Buffer requirement (minimum CET1 requirement of 4.5% plus capital conservation buffer of 2.5% plus any countercyclical buffer requirements expressed as a percentage of risk-weighted assets)	7.0%	
65	of which: capital conservation buffer requirement	2.5%	
66	of which: ADI-specific countercyclical buffer requirements	-	
67	of which: G-SIB buffer requirement (not applicable)	n/a	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk-weighted assets)	1.8%	
National minima (if different from Basel III)		\$m	Ref
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	-	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	-	
71	National total capital minimum ratio (if different from Basel III minimum)	-	
Amount below thresholds for deductions (not risk-weighted)		\$m	Ref
72	Non-significant investments in the capital of other financial entities	-	
73	Significant investments in the ordinary shares of financial entities	49.8	N
74	Mortgage servicing rights (net of related tax liability)	-	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	-	
Applicable caps on the inclusion of provisions in Tier 2		\$m	Ref
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	204.4	M
77	Cap on inclusion of provisions in Tier 2 under standardised approach	243.3	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	-	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	-	

Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		\$m	Ref
80	Current cap on CET1 instruments subject to phase out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase out arrangements	-	
83	Amount excluded from AT1 instruments due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase out arrangements	396.0	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

ENTITIES EXCLUDED FROM THE REGULATORY SCOPE OF CONSOLIDATION

		Total Assets \$M	Total Liabilities \$M
Insurance entities			
St Andrew's Australia Services Pty Ltd	This is the holding company for St Andrews's Insurance (Australia) Pty Ltd and St Andrew's Life Insurance Pty Ltd. The company holds investments and performs administrative functions of the two insurance entities owned.	70.2	69.1
St Andrew's Insurance (Australia) Pty Ltd	The principal activity is the sale of general insurance products.	21.9	15.2
St Andrew's Life Insurance Pty Ltd	The principal activity is the sale of life insurance products.	104.8	32.0
Securitisations Trusts			
Series 2005-2 REDS Trust	The principal activity is the provision of housing loans	71.7	71.7
Series 2006-1E REDS Trust	The principal activity is the provision of housing loans	261.5	261.5
Series 2007-1E REDS Trust	The principal activity is the provision of housing loans	320.6	320.6
Series 2007-2 REDS Trust	The principal activity is the provision of housing loans	90.5	90.5
Series 2012-1E REDS Trust	The principal activity is the provision of housing loans	789.1	789.1
Series 2013-1 REDS Trust	The principal activity is the provision of housing loans	770.4	770.4
REDS Warehouse Trust No.1	The principal activity is the provision of housing loans	393.9	393.9
REDS Warehouse Trust No.3	The principal activity is the provision of housing loans	245.6	245.6
REDS Warehouse Trust No.4	The principal activity is the provision of housing loans	349.3	349.3
Manager and non-financial operating entities			
Home Credit Management Ltd	The principal activity is as a party to a number of property joint ventures.	22.8	20.8
BOQ Share Plans Nominee Pty Ltd	The principal activity is to act as Trustee to the Bank's employee share scheme.	5.9	0.9
BQL Management Pty Ltd	The principal activity is as to manage the Bank's securitisation trusts	38.7	29.3