

# APRA BASEL III PILLAR 3 DISCLOSURES

Quarter ended 31 August 2018

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

## 4 October 2018

This report has been prepared by Bank of Queensland Limited (**Bank** or **BOQ**) to meet its disclosure requirements under the Australian Prudential Regulation Authority's (**APRA**) Prudential Standard *APS 330: Public Disclosure*. It has been prepared using 31 August 2018 data.

## Key points

The Bank's capital management strategy aims to ensure adequate capital levels are maintained to protect deposit holders. The Bank's capital is measured and managed in line with Prudential Standards issued by APRA. The capital management plan is updated annually and submitted to the Board for approval. The approval process is designed to ensure the plan is consistent with the overall business plan and for managing capital levels on an ongoing basis.

The Board has set the Common Equity Tier 1 Capital target range to be between 8.0% and 9.5% and the Total Capital range to be between 11.5% and 13.5%.

As at 31 August 2018:

- Common Equity Tier 1 Capital Ratio was 9.3% (9.3% as at 31 May 2018); and
- Total Capital Ratio was 12.8% (12.9% as at 31 May 2018).

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# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

## Capital Structure

	August 18 \$m	February 18 \$m
<b>COMMON EQUITY TIER 1 CAPITAL</b>		
Paid-up ordinary share capital	3,418	3,370
Reserves	4	2
Retained earnings, including current year profits	394	385
<b>Total Common Equity Tier 1 Capital</b>	<b>3,816 <sup>(1)</sup></b>	<b>3,757</b>
<b>REGULATORY ADJUSTMENTS</b>		
Goodwill and intangibles	(875)	(869)
Deferred expenditure	(178)	(168)
Other deductions	(1)	(1)
<b>Total Regulatory Adjustments</b>	<b>(1,054)</b>	<b>(1,038)</b>
<b>Net Common Equity Tier 1 Capital</b>	<b>2,762</b>	<b>2,719</b>
Additional Tier 1 Capital	500 <sup>(2)</sup>	641
<b>Total Tier 1 Capital</b>	<b>3,262</b>	<b>3,360</b>
<b>TIER 2 CAPITAL</b>		
Tier 2 Capital	350 <sup>(3)</sup>	150
General Reserve for Credit Losses	174	178
<b>Total Tier 2 Capital</b>	<b>524</b>	<b>328</b>
<b>Total Capital Base</b>	<b>3,786</b>	<b>3,688</b>

Notes:

(1) Includes the payment of the interim dividend and issue of new shares under the dividend reinvestment plan on 17 May 2018.

(2) Includes the \$141m redemption of Convertible Preference Shares on 16 April 2018.

(3) Includes the issue of \$200m of Subordinated Instruments on 1 May 2018.

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

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**Table 1: Capital Disclosure Template**

Common Equity Tier 1 Capital (CET1): Instruments and Reserves		\$m	Ref
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	3,418	A
2	Retained earnings	394	B
3	Accumulated other comprehensive income (and other reserves)	4	-
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-	-
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	-
6	<b>Common Equity Tier 1 Capital before Regulatory Adjustments</b>	<b>3,816</b>	-
Common Equity Tier 1 Capital: Regulatory Adjustments		\$m	Ref
7	Prudential valuation adjustments	-	-
8	Goodwill (net of related tax liability)	682	C
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	193	D
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	(106)	E
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 Authorised Deposit-taking Institution (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	<i>of which: significant investments in the ordinary shares of financial entities</i>	-	-
24	<i>of which: mortgage servicing rights</i>	-	-
25	<i>of which: deferred tax assets arising from temporary differences</i>	-	-
26	National specific regulatory adjustments (sum of rows 26a, 26b, 26c, 26d, 26e, 26f, 26g, 26h, 26i and 26j)	285	-
26a	<i>of which: treasury shares</i>	-	-
26b	<i>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</i>	-	-
26c	<i>of which: deferred fee income</i>	153	F
26d	<i>of which: equity investments in financial institutions not reported in rows 18, 19 and 23</i>	50	G
26e	<i>of which: deferred tax assets not reported in rows 10, 21 and 25</i>	42	H
26f	<i>of which: capitalised expenses</i>	11	I
26g	<i>of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements</i>	5	J
26h	<i>of which: covered bonds in excess of asset cover in pools</i>	-	-
26i	<i>of which: undercapitalisation of a non-consolidated subsidiary</i>	-	-
26j	<i>of which: other national specific regulatory adjustments not reported in rows 26a to 26i</i>	24	K
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	-	-
28	<b>Total Regulatory Adjustments to Common Equity Tier 1</b>	<b>1,054</b>	-
29	<b>Common Equity Tier 1 Capital (CET1)</b>	<b>2,762</b>	-

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

**Table 1: Capital Disclosure Template (continued)**

Additional Tier 1 Capital (AT1): Instruments		\$m	Ref
30	Directly issued qualifying Additional Tier 1 instruments	500	-
31	<i>of which: classified as equity under applicable accounting standards</i>	-	-
32	<i>of which: classified as liabilities under applicable accounting standards</i>	500	L
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	<b>Additional Tier 1 Capital before Regulatory Adjustments</b>	<b>500</b>	<b>-</b>
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	<i>of which: holdings of capital instruments in group members by other group members on behalf of third parties</i>	-	-
41b	<i>of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidations not reported in rows 39 and 40</i>	-	-
41c	<i>of which: other national specific regulatory adjustments not reported in rows 41a and 41b</i>	-	-
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions	-	-
43	<b>Total Regulatory Adjustments to Additional Tier 1 Capital</b>	<b>-</b>	<b>-</b>
44	<b>Additional Tier 1 Capital</b>	<b>500</b>	<b>-</b>
45	<b>Tier 1 Capital (T1=CET1+AT1)</b>	<b>3,262</b>	<b>-</b>
Tier 2 Capital (T2): Instruments and Provisions		\$m	Ref
46	Directly issued qualifying Tier 2 instruments	350	-
47	Directly issued capital instruments subject to phase out from Tier 2	-	-
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	174	M + N
51	<b>Tier 2 Capital before Regulatory Adjustments</b>	<b>524</b>	<b>-</b>

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

**Table 1: Capital Disclosure Template (continued)**

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	<i>of which: holdings of capital instruments in group members by other group members on behalf of third parties</i>	-	-
56b	<i>of which: investments in the capital of financial institutions that are outside the scope of regulatory consolidation not reported in rows 54 and 55</i>	-	-
56c	<i>of which: other national specific regulatory adjustments not reported in rows 56a and 56b</i>	-	-
57	<b>Total Regulatory Adjustments to Tier 2 Capital</b>	-	-
58	<b>Tier 2 Capital (T2)</b>	524	-
59	<b>Total Capital (TC=T1+T2)</b>	3,786	-
60	<b>Total Risk Weighted Assets based on APRA Standards</b>	29,669	-
Capital Ratios and Buffers		%	Ref
61	<b>Common Equity Tier 1 (as a percentage of risk-weighted assets)</b>	9.3 %	-
62	<b>Tier 1 (as a percentage of risk-weighted assets)</b>	11.0 %	-
63	<b>Total Capital (as a percentage of risk-weighted assets)</b>	12.8 %	-
64	<b>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)</b>	7.0 %	-
65	<i>of which: capital conservation buffer requirement</i>	2.5 %	-
66	<i>of which: ADI-specific countercyclical buffer requirements</i>	-	-
67	<i>of which: G-SIB buffer requirement (not applicable)</i>	-	-
68	<b>Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)</b>	2.3 %	-
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	<b>National Total Capital Minimum Ratio (if different from Basel III minimum)</b>	-	-
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	50	G
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)	174	M + N
77	Cap on inclusion of provisions in Tier 2 under standardised approach	333	-
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	-	-

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

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**Table 1: Capital Disclosure Template (continued)**

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 <sup>(1)(2)</sup>	-	-
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	-

(1) Upon conversion to Basel III at 1 January 2013, the Bank was granted a transitional capital arrangement. This arrangement enabled existing forms of capital instruments, which no longer met revised capital eligibility requirements, to be included in Tier 2 capital. The value of instruments eligible for inclusion in the Bank's capital was capped, with the cap reducing each calendar year until 1 January 2022.

(2) As the final capital instrument subject to the transitional capital arrangement was redeemed in December 2017, the amount is nil for February 2018 and future reporting periods.

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

## Reconciliation between the Consolidated Balance Sheet and the Regulatory Balance Sheet

Bank of Queensland Limited is the head of the Level 2 Group, as defined in Prudential Standard APS 001: Definitions. The transfer of funds or Regulatory Capital within the Level 2 Group requires approvals from Management and/or the Board, and has been disclosed in accordance with Prudential Standard APS 330: Public Disclosure Paragraph 14.

August 18	Group Balance Sheet \$m	Adjustments \$m	Level 2 Regulatory Balance Sheet \$m	Reconciliation Reference
<b>ASSETS</b>				
Cash and cash equivalents	1,212	(80)	1,132	-
Due from other financial institutions - term deposits	6	-	6	-
Financial assets available for sale	3,946	-	3,946	-
<i>of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements</i>	5	-	5	J
Financial assets held for trading	1,385	-	1,385	-
Derivative financial assets	135	-	135	-
Loans and advances at amortised cost	45,078	(2,499)	42,579	-
<i>of which: deferred fee income</i>	153	-	153	F
<i>of which: provisions</i>	115	-	115	M
Other assets	169	11	180	-
<i>of which: capitalised expenses</i>	-	11	11	I
Property, plant and equipment	57	-	57	-
Assets held for sale	57	(57)	-	-
Shares in controlled entities	-	50	50	-
<i>of which: equity investments in financial institutions not reported in rows 18,19,23</i>	-	50	50	G
Deferred tax assets	45	-	45	-
<i>of which: deferred tax assets arising from temporary differences deducted from CET1</i>	42	-	42	H
Intangibles assets	875	-	875	-
<i>of which: goodwill</i>	682	-	682	C
<i>of which: other intangibles other than mortgage servicing rights</i>	193	-	193	D
Investments in joint arrangements	15	(13)	2	-
Amounts due from controlled entities	-	-	-	-
<b>Total Assets</b>	<b>52,980</b>	<b>(2,588)</b>	<b>50,392</b>	<b>-</b>
<b>LIABILITIES</b>				
Due to other financial institutions - accounts payable at call	315	-	315	-
Deposits	38,017	51	38,068	-
Derivative financial liabilities	294	-	294	-
Accounts payable and other liabilities	360	(5)	355	-
Current tax liabilities	5	-	5	-
Liabilities held for sale	22	(22)	-	-
Provisions	34	-	34	-
Insurance policy liabilities	-	-	-	-
Borrowings including subordinated notes	10,077	(2,632)	7,445	-
<i>of which: other national specific regulatory adjustments not reported in rows 26a to 26i</i>	24	-	24	K
<i>of which: classified as liabilities under applicable accounting standards</i>	500	-	500	L
<b>Total Liabilities</b>	<b>49,124</b>	<b>(2,608)</b>	<b>46,516</b>	<b>-</b>
<b>Net Assets</b>	<b>3,856</b>	<b>20</b>	<b>3,876</b>	<b>-</b>



# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

## Reconciliation between the Consolidated Balance Sheet and the Regulatory Balance Sheet (continued)

August 18	Group Balance Sheet \$m	Adjustments \$m	Level 2 Regulatory Balance Sheet \$m	Reconciliation Reference
<b>EQUITY</b>				
Issued capital	3,418	-	3,418	A
Reserves	38	26	64	-
<i>of which: provisions (equity reserve for credit losses)</i>	59	-	59	N
<i>of which: cashflow hedge reserve</i>	(106)	-	(106)	E
<i>of which: other reserves included in CET1</i>	111	-	111	-
Retained profits	400	(6)	394	B
<b>Total Equity</b>	<b>3,856</b>	<b>20</b>	<b>3,876</b>	<b>-</b>

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

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## Entities excluded from the Regulatory Scope of Consolidation

August 18	Total Assets \$m	Total Liabilities \$m	Principal Activities
<b>INSURANCE ENTITIES</b>			
St Andrew's Australia Services Pty Ltd	85	80	Insurance
St Andrew's Insurance (Australia) Pty Ltd	18	5	General Insurance
St Andrew's Life Insurance Pty Ltd	55	19	Life Insurance
<b>SECURITISATION TRUSTS</b>			
Series 2012-1E REDS Trust	251	251	Securitisation
Series 2013-1 REDS Trust	256	256	Securitisation
Series 2015-1 REDS Trust	382	382	Securitisation
Series 2017-1 REDS Trust	714	714	Securitisation
Series 2018-1 REDS Trust	964	964	Securitisation
<b>Manager and Non-Financial Operating Entities</b>			
Home Credit Management Pty Ltd	23	15	Investment Holding Entity
Bank of Queensland Ltd Employee Share Plans Trust	8	3	Employee Share Plan Trust

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

## Table 2: Main Features of Capital Instruments

The Bank's main features of capital instruments are updated on an ongoing basis and are available at the Regulatory Disclosures section of the Bank's website at the following address [https://www.boq.com.au/regulatory\\_disclosures](https://www.boq.com.au/regulatory_disclosures)

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

**Table 3: Capital Adequacy**

	August 18	May 18
	\$m	\$m
<b>Risk Weighted Assets</b>		
<b>SUBJECT TO THE STANDARDISED APPROACH</b>		
Government	-	-
Bank	325	363
Residential mortgages	11,849	11,585
Other retail <sup>(1)</sup>	14,297	13,882
Other	152	133
Corporate	-	-
<b>Total On-Balance Sheet Assets and Off-Balance Sheet Exposures</b>	<b>26,623</b>	<b>25,963</b>
Securitisation Exposures	47	52
Market Risk Exposures	158	150
Operational Risk Exposures	2,841	2,781
<b>Total Risk Weighted Assets</b>	<b>29,669</b>	<b>28,946</b>
<b>Capital Ratios</b>	<b>%</b>	<b>%</b>
Level 2 Total Capital Ratio	12.8	12.9
Level 2 Common Equity Tier 1 Capital Ratio	9.3	9.3
Level 2 Net Tier 1 Capital Ratio	11.0	11.0

Notes:

(1) Includes commercial lending and leasing.

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

**Table 4: Credit Risk**

Exposure Type	Gross Credit Exposure <sup>(1)</sup> \$m		Average Gross Credit Exposure \$m	
	August 18	May 18	August 18	May 18
Cash and due from financial institutions	1,160	1,731	1,446	1,359
Debt securities	3,696	3,518	3,607	3,391
Loans and advances	42,758	42,176	42,467	42,423
Off-balance sheet exposures for derivatives	36	18	27	15
Other off-balance sheet exposures <sup>(2)</sup>	1,071	858	964	877
Other	152	133	142	135
<b>Total Exposures</b>	<b>48,873</b>	<b>48,434</b>	<b>48,653</b>	<b>48,200</b>

Portfolios Subject to the Standardised Approach	Gross Credit Exposure <sup>(1)</sup> \$m		Average Gross Credit Exposure \$m	
	August 18	May 18	August 18	May 18
Government	3,066	3,092	3,079	3,058
Bank	1,827	2,176	2,001	1,708
Residential mortgage	29,529	29,153	29,341	29,522
Other retail	14,300	13,880	14,090	13,777
Other	151	133	142	135
Corporate	-	-	-	-
<b>Total Exposures</b>	<b>48,873</b>	<b>48,434</b>	<b>48,653</b>	<b>48,200</b>

**Notes:**

(1) Gross credit exposures reflect credit equivalent amounts.

(2) Other off-balance sheet exposures largely relate to customer commitments. Subsequent to clarification by APRA, the Bank has adopted the concessional treatment available on housing approvals resulting in reduced exposure levels.

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

**Table 4: Credit Risk (continued)**

## August 18

Portfolios Subject to the Standardised Approach	Impaired Loans <sup>(1)</sup> \$m	Past Due Loans > 90 Days <sup>(2)</sup> \$m	Specific Provision Balance \$m	Charges for Specific Provision \$m	Write-Offs \$m
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgages	146	298	26	(3)	5
Other retail	99	116	60	(7)	21
Other	-	-	-	-	-
Corporate	-	-	-	-	-
<b>Total</b>	<b>245</b>	<b>414</b>	<b>86</b>	<b>(10)</b>	<b>26</b>

## May 18

Portfolios Subject to the Standardised Approach	Impaired Loans <sup>(1)</sup> \$m	Past Due Loans > 90 Days <sup>(2)</sup> \$m	Specific Provision Balance \$m	Charges for Specific Provision \$m	Write-Offs \$m
Government	-	-	-	-	-
Bank	-	-	-	-	-
Residential mortgages	135	315	38	(4)	3
Other retail	104	114	58	1	8
Other	-	-	-	-	-
Corporate	-	-	-	-	-
<b>Total</b>	<b>239</b>	<b>429</b>	<b>96</b>	<b>(3)</b>	<b>11</b>

	August 18 \$m	May 18 \$m
Statutory Equity Reserve for Credit Losses	59	58
Collective provision	115	121
APRA General Reserve for Credit Losses	174	179

## Notes:

	August 18 \$m	May 18 \$m
<b>(1) Reconciliation of impaired loans</b>		
Impaired Assets per Table 4: Credit Risk	245	239
Add: Impaired assets in off-balance sheet securitisation trusts	14	9
Less: Restructured facilities included in APS 220	(95)	(78)
<b>Impaired Assets per Accounting Standards</b>	<b>164</b>	<b>170</b>

(2) Excludes assets in off-balance sheet securitisation trusts as required under APRA Prudential Standard APS220 Credit Quality.

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

**Table 5: Securitisation Exposures**

Exposure Type	August 18		May 18	
	Securitisation Activity \$m	Gain or Loss on Sale \$m	Securitisation Activity \$m	Gain or Loss on Sale \$m
Securities held in the banking book	(18)	-	(17)	-
Securities held in the trading book	-	-	-	-
Liquidity facilities	-	-	-	-
Funding facilities	-	-	1	-
Swaps	4	-	(21)	-
Other <sup>(1)</sup>	(12)	-	(157)	-
<b>Total</b>	<b>26</b>	<b>-</b>	<b>(194)</b>	<b>-</b>

## August 18

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 <sup>(1)</sup> \$m
On-balance sheet securitisation exposure retained or purchased	219	-	5	5	-	4,726
Off-balance sheet securitisation exposure	-	-	-	-	14	-
<b>Total</b>	<b>219</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>14</b>	<b>4,726</b>

## May 18

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 <sup>(1)</sup> \$m
On-balance sheet securitisation exposure retained or purchased	237	-	5	5	-	4,738
Off-balance sheet securitisation exposure	-	-	-	-	10	-
<b>Total</b>	<b>237</b>	<b>-</b>	<b>5</b>	<b>5</b>	<b>10</b>	<b>4,738</b>

### Notes:

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

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

## Table 20: Liquidity Coverage Ratio

APRA requires authorised deposit-taking institutions to maintain a minimum 100 per cent Liquidity Coverage Ratio (LCR). The LCR requires sufficient High Quality Liquid Assets (HQLA1) and alternative liquid assets (covered by the Committed Liquidity Facility (CLF)) to meet net cash outflows over a 30 day period, under a regulator defined liquidity stress scenario. BOQ manages its LCR on a daily basis with a buffer above the regulatory minimum in line with the BOQ prescribed risk appetite and management ranges. BOQ's average LCR over the August quarter was 136% which is slightly higher than the previous May quarter average of 134%. The increase in the average HQLA1 and cash inflows over the quarter was partly off-set by an increase in customer deposits. The following table presents detailed information on the average LCR composition for the two quarters. 92 data points were used in calculating the average figures for the two quarters.

BOQ maintains a portfolio of high quality, diversified liquid assets to facilitate balance sheet liquidity and meet internal and regulatory requirements. Liquid assets comprise of HQLA1 (cash, Australian Semi-Government and Commonwealth Government securities) and alternative liquid assets covered by the CLF from the Reserve Bank of Australia (RBA). Assets eligible for the CLF include senior unsecured bank debt, covered bonds, asset backed securities, residential mortgage backed securities (RMBS) and internal RMBS that are eligible for repurchase with the RBA.

BOQ has a stable, diversified and resilient deposit and funding base that mitigates the chance of a liquidity stress event across various funding market conditions. BOQ uses a range of funding instruments including customer deposits, securitisation and short term and long term wholesale debt instruments. The Group increased customer funding and long-term wholesale issuance in the period as part of its overall funding strategy to lengthen tenor and add to its stable funding base. Bank lending is predominantly funded from stable funding sources, with short term wholesale funding primarily used to manage timing mismatches and fund liquid assets.

The liquid assets composition has remained relatively stable over the year, the allocation to HQLA1 as a percentage of Net Cash Outflows for the August Quarter averaged 74%. BOQ does not have significant derivative or currency exposures that could adversely affect its LCR.



# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

**Table 20: Liquidity Coverage Ratio (continued)**

	Average Quarterly Performance			
	August 18		May 18	
	Total Un-Weighted Value \$m	Total Weighted Value \$m	Total Un-Weighted Value \$m	Total Weighted Value \$m
<b>LIQUID ASSETS</b>				
<i>of which: high-quality liquid assets</i>	n/a	3,520	n/a	3,325
<i>of which: alternative liquid assets</i>	n/a	2,981	n/a	2,981
<b>Total Liquid Assets</b>	<b>n/a</b>	<b>6,501</b>	<b>n/a</b>	<b>6,306</b>
<b>CASH OUTFLOWS</b>				
Customer deposits and deposits from small business customers	15,141	1,521	14,780	1,464
<i>of which: stable deposits</i>	6,924	346	6,893	345
<i>of which: less stable deposits</i>	8,217	1,175	7,887	1,119
Unsecured wholesale funding	4,123	2,511	4,044	2,415
<i>of which: non-operational deposits</i>	3,206	1,594	3,179	1,550
<i>of which: unsecured debt</i>	917	917	865	865
Secured wholesale funding	n/a	32	n/a	30
Additional requirements	1,781	610	535	441
<i>of which: outflows related to derivatives exposures and other collateral requirements</i>	548	548	436	436
<i>of which: credit and liquidity facilities</i>	1,233	62	99	5
Other contractual funding obligations	1,016	663	946	638
Other contingent funding obligations	9,595	561	11,084	624
<b>Total Cash Outflows</b>	<b>31,656</b>	<b>5,898</b>	<b>31,389</b>	<b>5,612</b>
<b>CASH INFLOWS</b>				
Secured lending (e.g. reverse repos)	208	-	67	-
Inflows from fully performing exposures	790	437	650	341
Other cash inflows	680	680	578	578
<b>Total Cash Inflows</b>	<b>1,678</b>	<b>1,117</b>	<b>1,295</b>	<b>919</b>
<b>Total Net Cash Outflows</b>	<b>29,978</b>	<b>4,781</b>	<b>30,094</b>	<b>4,693</b>
<b>Total Liquid Assets</b>	<b>n/a</b>	<b>6,501</b>	<b>n/a</b>	<b>6,306</b>
<b>Total Net Cash Outflows</b>	<b>n/a</b>	<b>4,781</b>	<b>n/a</b>	<b>4,693</b>
<b>Liquidity Coverage Ratio (%)</b>	<b>n/a</b>	<b>136 %</b>	<b>n/a</b>	<b>134 %</b>

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

## Table 21: Net Stable Funding Ratio

APRA's objective in implementing the Net Stable Funding Ratio (**NSFR**) is to strengthen funding and liquidity resilience. The NSFR encourages ADIs to reduce the amount of liquidity transformation by funding their lending activities with more stable sources of funding, and thereby promoting greater balance sheet resilience.

The NSFR establishes a minimum stable funding requirement based on the liquidity characteristics of the ADI's assets and off-balance sheet activities over a one year time horizon. The NSFR is defined as the ratio of the amount of Available Stable Funding to the amount of Required Stable Funding. APRA requires ADIs to maintain an NSFR of at least 100%. BOQ manages its NSFR on a daily basis and actively maintains a buffer above the regulatory minimum in line with BOQ's prescribed risk appetite and management ranges.

BOQ's NSFR at 31 August 2018 was 112%, which is a 3% increase at implementation on 1 January 2018. The main drivers for the increase in NSFR has been strong growth in customer deposits. The average NSFR since inception on 1 January 2018 has been 111%.

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

**Table 21: Net Stable Funding Ratio (continued)**

August 18

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
<b>AVAILABLE STABLE FUNDING (ASF) ITEM</b>					
Capital	3,960	-	-	850	4,810
<i>of which: regulatory capital</i>	3,960	-	-	850	4,810
<i>of which: other capital instruments</i>	-	-	-	-	-
Retail deposits and deposits from small business customers	14,018	8,480	-	-	20,708
<i>of which: stable deposits</i>	6,544	2,640	-	-	8,726
<i>of which: less stable deposits</i>	7,474	5,840	-	-	11,982
Wholesale funding	1,754	13,558	1,334	5,431	10,660
<i>of which: operational deposits</i>	-	-	-	-	-
<i>of which: other wholesale funding</i>	1,754	13,558	1,334	5,431	10,660
Liabilities with matching interdependent assets	-	-	-	-	-
Other liabilities	785	58	-	73	73
<i>of which: NSFR derivative liabilities</i>	n/a	53	-	-	n/a
<i>of which: all other liabilities and equity not included in the above categories</i>	785	5	-	73	73
<b>Total ASF</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>36,251</b>
<b>REQUIRED STABLE FUNDING (RSF) ITEM</b>					
Total NSFR (HQLA)	n/a	n/a	n/a	n/a	150
ALA	n/a	n/a	n/a	n/a	320
RBNZ securities	n/a	n/a	n/a	n/a	-
Deposits held at other financial institutions for operational purposes	337	-	-	-	276
Performing loans and securities	-	3,096	2,274	35,691	29,173
<i>of which: performing loans to financial institutions secured by Level 1 HQLA</i>	-	100	-	-	10
<i>of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	-	441	-	173	239
<i>of which: performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs) of which:</i>	-	1,904	1,715	10,223	10,418
<i>with a risk weight of less than or equal to 35% under APS 112</i>	-	104	100	801	623
<i>of which: performing residential mortgages, of which:</i>	-	651	559	25,295	18,507
<i>with a risk weight equal to 35% under APS 112</i>	-	165	177	20,148	13,698
<i>of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	-	-	-	-	-
Assets with matching interdependent liabilities	-	-	-	-	-

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

**Table 21: Net Stable Funding Ratio (continued)**

August 18

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
Other assets:	1,683	440	46	536	2,369
<i>of which: physical traded commodities, including gold</i>	-	n/a	n/a	n/a	-
<i>of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)</i>	n/a	-	-	1	1
<i>of which: NSFR derivative assets</i>	n/a	-	-	16	16
<i>of which: NSFR derivative liabilities before deduction of variation margin posted</i>	n/a	-	-	59	59
<i>of which: all other assets not included in the above categories</i>	1,683	440	46	461	2,293
Off-balance sheet items	n/a	-	-	3,820	188
<b>Total RSF</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>32,477</b>
<b>Net Stable Funding Ratio (%)</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>112 %</b>

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

**Table 21: Net Stable Funding Ratio (continued)**

May 18

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
<b>AVAILABLE STABLE FUNDING (ASF) ITEM</b>					
Capital	3,986	-	-	850	4,746
<i>of which: regulatory capital</i>	3,986	-	-	850	4,746
<i>of which: other capital instruments</i>	-	-	-	-	-
Retail deposits and deposits from small business customers	13,527	8,401	-	-	20,192
<i>of which: stable deposits</i>	6,537	2,588	-	-	8,669
<i>of which: less stable deposits</i>	6,990	5,813	-	-	11,523
Wholesale funding	1,677	13,957	1,078	5,551	10,526
<i>of which: operational deposits</i>	-	-	-	-	-
<i>of which: other wholesale funding</i>	1,677	13,957	1,078	5,551	10,526
Liabilities with matching interdependent assets	-	-	-	-	-
Other liabilities	766	68	-	75	75
<i>of which: NSFR derivative liabilities</i>	n/a	57	-	-	n/a
<i>of which: all other liabilities and equity not included in the above categories</i>	766	11	-	75	75
<b>Total ASF</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>35,539</b>
<b>REQUIRED STABLE FUNDING (RSF) ITEM</b>					
Total NSFR (HQLA)	n/a	n/a	n/a	n/a	152
ALA	n/a	n/a	n/a	n/a	320
RBNZ securities	n/a	n/a	n/a	n/a	-
Deposits held at other financial institutions for operational purposes	379	-	-	-	320
Performing loans and securities	-	3,590	2,180	34,959	28,811
<i>of which: performing loans to financial institutions secured by Level 1 HQLA</i>	-	501	-	-	50
<i>of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions</i>	-	312	-	134	180
<i>of which: performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and public sector entities (PSEs) of which:</i>	-	2,143	1,542	9,875	10,196
<i>with a risk weight of less than or equal to 35% under APS 112</i>	-	97	124	670	546
<i>of which: performing residential mortgages, of which:</i>	-	616	638	24,951	18,376
<i>with a risk weight equal to 35% under APS 112</i>	-	153	166	19,479	13,257
<i>of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities</i>	-	18	-	-	9
Assets with matching interdependent liabilities	-	-	-	-	-

# BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 31 August 2018

**Table 21: Net Stable Funding Ratio (continued)**

May 18

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
Other assets:	1,557	414	44	493	2,237
<i>of which: physical traded commodities, including gold</i>	-	n/a	n/a	n/a	-
<i>of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)</i>	n/a	-	-	1	1
<i>of which: NSFR derivative assets</i>	n/a	-	-	5	5
<i>of which: NSFR derivative liabilities before deduction of variation margin posted</i>	n/a	-	-	56	56
<i>of which: all other assets not included in the above categories</i>	1,557	414	44	431	2,175
Off-balance sheet items	n/a	-	-	3,274	167
<b>Total RSF</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>32,007</b>
<b>Net Stable Funding Ratio (%)</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>111 %</b>