APRA BASEL III PILLAR 3 DISCLOSURES

Quarter ended 28 February 2019

BANK OF QUEENSLAND LIMITED, BASEL III PILLAR 3 DISCLOSURES

For the Quarter Ended 28 February 2019

11 April 2019

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 28 February 2019 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 8.25% and 9.5% and the Total Capital target range to be between 11.75% and 13.5%.

As at 28 February 2019:

- Common Equity Tier 1 Capital Ratio was 9.3% (9.1% as at 30 November 2018); and
- Total Capital Ratio was 12.7% (12.6% as at 30 November 2018).

CONTENTS	PAGE

Capital Structure

	February 19 $m	August 18 $m
COMMON EQUITY TIER 1 CAPITAL		
Paid-up ordinary share capital	3,458	3,418
Reserves	2	4
Retained earnings, including current year profits	385	394
Total Common Equity Tier 1 Capital	3,845 (1)	3,816
REGULATORY ADJUSTMENTS		
Goodwill and intangibles	(887)	(875)
Deferred expenditure	(178)	(178)
Other deductions	(4)	(1)
Total Regulatory Adjustments	(1,069)	(1,054)
Net Common Equity Tier 1 Capital	2,776	2,762
Additional Tier 1 Capital	500	500
Total Tier 1 Capital	3,276	3,262
TIER 2 CAPITAL		
Tier 2 Capital	350	350
General Reserve for Credit Losses	174 (2)	174
Total Tier 2 Capital	524	524
Total Capital Base	3,800	3,786

Notes:

(1) Impacted by the payment of the final dividend and issue of new shares under the dividend reinvestment plan.

(2) Following clarification from APRA, the stage 3 component is now treated as a Specific Provision and no longer as part of the General Reserve for Credit Losses. This reduction was offset by natural movements and changes to the model.

Table 1: Capital Disclosure Template

	Common Equity Tier 1 Capital (CET1): Instruments and Reserves	$m	Ref
1	Directly issued qualifying ordinary shares (and equivalent for mutually-owned entities) capital	3,458	A
2	Retained earnings	385	B
3	Accumulated other comprehensive income (and other reserves)	2	-
4	Directly issued capital subject to phase out from CET1 (only applicable to mutually-owned companies)	-	-
5	Ordinary share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)	-	-
6	**Common Equity Tier 1 Capital before Regulatory Adjustments**	3,845	-
	Common Equity Tier 1 Capital: Regulatory Adjustments	**$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)	205	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	(111)	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	*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)	293	-
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*	*153*	F
26d	*of which: equity investments in financial institutions not reported in rows 18, 19 and 23*	*50*	G
26e	*of which: deferred tax assets not reported in rows 10, 21 and 25*	*43*	H
26f	*of which: capitalised expenses*	*12*	I
26g	*of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements*	*12*	J
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*	*23*	K
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**	1,069	-
29	**Common Equity Tier 1 Capital (CET1)**	2,776	-

Table 1: Capital Disclosure Template (continued)

	Additional Tier 1 Capital (AT1): Instruments	$m	Ref
30	Directly issued qualifying Additional Tier 1 instruments	500	-
31	*of which: classified as equity under applicable accounting standards*	-	-
32	*of which: classified as liabilities under applicable accounting standards*	*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	*of which: instruments issued by subsidiaries subject to phase out*	-	-
36	**Additional Tier 1 Capital before Regulatory Adjustments**	500	-

	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**	500	-
45	**Tier 1 Capital (T1=CET1+AT1)**	3,276	-

	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	*of which: instruments issued by subsidiaries subject to phase out*	-	-
50	Provisions	174	M + N
51	**Tier 2 Capital before Regulatory Adjustments**	524	-

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	*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)**	524	-
59	**Total Capital (TC=T1+T2)**	3,800	-
60	**Total Risk Weighted Assets based on APRA Standards**	29,978	-
	Capital Ratios and Buffers	%	Ref
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	9.3 %	-
62	**Tier 1 (as a percentage of risk-weighted assets)**	10.9 %	-
63	**Total Capital (as a percentage of risk-weighted assets)**	12.7 %	-
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)*	-	-
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk weighted assets)**	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	**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	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	337	-
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	-	-

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 [1] [2]	-	-
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.

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*.

February 19	Group Balance Sheet $m	Adjustments $m	Level 2 Regulatory Balance Sheet $m	Reconciliation Reference
ASSETS				
Cash and cash equivalents	1,264	(63)	1,201	–
Due from other financial institutions – term deposits	383	–	383	–
Derivative financial instruments	112	–	112	
Financial assets at fair value through profit or loss (FVTPL)	1,027	–	1,027	
Financial assets held for trading	–	–	–	–
Debt instruments at fair value through other comprehensive income (FVOCI)	3,455	–	3,455	
Equity instruments at FVOCI	6	–	6	
Financial assets available for sale	–	–	–	–
of which: investments in commercial (non-financial) entities that are deducted under APRA prudential requirements	*12*	–	*12*	*J*
Loans and advances at amortised cost	45,565	(2,215)	43,350	–
of which: deferred fee income	*153*	–	*153*	*F*
of which: provisions	*114*	–	*114*	*M*
Other assets	134	2	136	–
of which: capitalised expenses	–	*12*	*12*	*I*
Property, plant and equipment	54	–	54	–
Assets held for sale	52	(52)	–	–
Shares in controlled entities	–	50	50	–
of which: equity investments in financial institutions not reported in rows 18,19,23	–	*50*	*50*	*G*
Deferred tax assets	50	–	50	–
of which: deferred tax assets arising from temporary differences deducted from CET1	*43*	–	*43*	*H*
Intangibles assets	887	–	887	–
of which: goodwill	*682*	–	*682*	*C*
of which: other intangibles other than mortgage servicing rights	*205*	–	*205*	*D*
Investments in joint arrangements	19	(13)	6	–
Total Assets	**53,008**	**(2,291)**	**50,717**	**–**
LIABILITIES				
Due to other financial institutions – accounts payable at call	213	–	213	–
Deposits	37,715	50	37,765	–
Derivative financial liabilities	380	–	380	–
Accounts payable and other liabilities	380	(4)	376	–
Current tax liabilities	1	–	1	–
Liabilities held for sale	19	(19)	–	–
Provisions	33	–	33	–
Borrowings including subordinated notes	10,382	(2,337)	8,045	–
of which: other national specific regulatory adjustments not reported in rows 26a to 26i	*23*	–	*23*	*K*
of which: classified as liabilities under applicable accounting standards	*500*	–	*500*	*L*
Total Liabilities	**49,123**	**(2,310)**	**46,813**	**–**
Net Assets	**3,885**	**19**	**3,904**	**–**

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

February 19	Group Balance Sheet $m	Adjustments $m	Level 2 Regulatory Balance Sheet $m	Reconciliation Reference
EQUITY				
Issued capital	3,458	–	3,458	A
Reserves	36	25	61	–
of which: provisions (equity reserve for credit losses)	*60*	–	*60*	*N*
of which: cashflow hedge reserve	*(111)*	–	*(111)*	*E*
of which: other reserves included in CET1	*112*	–	*112*	–
Retained profits	391	(6)	385	B
Total Equity	3,885	19	3,904	–

Entities excluded from the Regulatory Scope of Consolidation

February 19	Total Assets $m	Total Liabilities $m	Principal Activities
INSURANCE ENTITIES			
St Andrew's Australia Services Pty Ltd	87	82	Insurance
St Andrew's Insurance (Australia) Pty Ltd	17	5	General Insurance
St Andrew's Life Insurance Pty Ltd	49	14	Life Insurance
SECURITISATION TRUSTS			
Series 2012-1E REDS Trust	230	230	Securitisation
Series 2013-1 REDS Trust	243	243	Securitisation
Series 2015-1 REDS Trust	348	348	Securitisation
Series 2017-1 REDS Trust	626	626	Securitisation
Series 2018-1 REDS Trust	837	837	Securitisation
Manager and Non-Financial Operating Entities			
Home Credit Management Pty Ltd	23	16	Investment Holding Entity
Bank of Queensland Ltd Employee Share Plans Trust	11	3	Employee Share Plan Trust

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.

Table 3: Capital Adequacy

Risk Weighted Assets	February 19 $m	November 18 $m
SUBJECT TO THE STANDARDISED APPROACH		
Government	-	-
Bank	314	268
Residential mortgages	11,756	11,726
Other retail [(1)]	14,741	14,581
Other	115	109
Corporate	-	-
Total On-Balance Sheet Assets and Off-Balance Sheet Exposures	26,926	26,684
Securitisation Exposures	39	41
Market Risk Exposures	129	165
Operational Risk Exposures	2,885	2,841
Total Risk Weighted Assets	29,978	29,731
Capital Ratios	%	%
Level 2 Total Capital Ratio	12.7	12.6
Level 2 Common Equity Tier 1 Capital Ratio	9.3	9.1
Level 2 Net Tier 1 Capital Ratio	10.9	10.8

Notes:
(1) Includes commercial lending and leasing.

Table 4: Credit Risk

Exposure Type	Gross Credit Exposure (1) $m		Average Gross Credit Exposure $m	
	February 19	November 18	February 19	November 18
Cash and due from financial institutions	1,607	1,174	1,390	1,167
Debt securities	3,195	3,424	3,309	3,560
Loans and advances	43,515	43,135	43,325	42,947
Off-balance sheet exposures for derivatives	57	44	51	40
Other off-balance sheet exposures (2)	939	932	936	1,002
Other	115	109	112	130
Total Exposures	49,428	48,818	49,123	48,846

Portfolios Subject to the Standardised Approach	Gross Credit Exposure (1) $m		Average Gross Credit Exposure $m	
	February 19	November 18	February 19	November 18
Government	3,195	3,085	3,140	3,075
Bank	1,664	1,557	1,610	1,692
Residential mortgage	29,713	29,482	29,598	29,506
Other retail	14,741	14,585	14,663	14,443
Other	115	109	112	130
Corporate	–	–	–	–
Total Exposures	49,428	48,818	49,123	48,846

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.

Table 4: Credit Risk (continued)

February 19

Portfolios Subject to the Standardised Approach	Impaired Loans [1] $m	Past Due Loans > 90 Days [2] $m	Specific Provision Balance $m	Charges for Specific Provision $m	Write-Offs $m
Government	–	–	–	–	–
Bank	–	–	–	–	–
Residential mortgages	227	162	27	–	1
Other retail	136	96	73	(6)	11
Other	–	–	–	–	–
Corporate	–	–	–	–	–
Total	363 [3]	258 [3]	100 [4]	(6)	12

November 18

Portfolios Subject to the Standardised Approach	Impaired Loans [1] $m	Past Due Loans > 90 Days [2] $m	Specific Provision Balance $m	Charges for Specific Provision $m	Write-Offs $m
Government	–	–	–	–	–
Bank	–	–	–	–	–
Residential mortgages	152	299	24	(2)	4
Other retail	98	105	59	(1)	10
Other	–	–	–	–	–
Corporate	–	–	–	–	–
Total	250	404	83	(3)	14

	February 19 $m	November 18 $m
Statutory Equity Reserve for Credit Losses	60	59
Collective provision	114	123
APRA General Reserve for Credit Losses	174	182

Notes:

(1) Reconciliation of impaired loans	February 19 $m	November 18 $m
Impaired Assets per Table 4: Credit Risk	363	250
Add: Impaired assets in off-balance sheet securitisation trusts	16	12
Less: Restructured facilities included in APS 220	(227)	(105)
Impaired Assets per Accounting Standards	152	157

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

(3) Following clarification from APRA, changes have been made to the reporting of restructured loans and data quality improvements have also been made. If these changes were not made, Impaired loans would have been reported as $280m and 90 days past due loans would have been reported as $392m.

(4) Following clarification from APRA, the stage 3 component of the General Reserve for Credit Losses is now treated as a Specific Provision. If this change had not been made, the Specific Provision would have been reported as $77m.

Table 5: Securitisation Exposures

	February 19		November 18	
Exposure Type	Securitisation Activity $m	Gain or Loss on Sale $m	Securitisation Activity $m	Gain or Loss on Sale $m
Securities held in the banking book	(11)	–	(27)	–
Securities held in the trading book	–	–	–	–
Liquidity facilities	–	–	–	–
Funding facilities	–	–	–	–
Swaps	–	–	(5)	–
Other [(1)]	381	–	208	–
Total	370	–	176	–

February 19

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	181	–	5	5	–	5,315
Off-balance sheet securitisation exposure	–	–	–	–	9	–
Total	181	–	5	5	9	5,315

November 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 [(1)] $m
On-balance sheet securitisation exposure retained or purchased	192	–	5	5	–	4,934
Off-balance sheet securitisation exposure	–	–	–	–	9	–
Total	192	–	5	5	9	4,934

Notes:

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

Table 20: Liquidity Coverage Ratio

APRA requires authorised deposit-taking institutions (**ADI**) to maintain a minimum 100 per cent Liquidity Coverage Ratio (**LCR**). The LCR requires an ADI to hold 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 February quarter was 134% which is slightly higher than the previous November 2018 quarter average of 131%. Net Cash Outflows (**NCO**) were materially unchanged over the quarter, however the increased CLF for 2019 has increased liquid assets. The following table presents detailed information on the average LCR composition for the two quarters. 90 data points were used in calculating the average figures for the February 2019 quarter and 91 data points were used in calculating the average figures for the November 2018 quarter.

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, short term and long term wholesale debt instruments, securitisation and covered bonds, with the objective of lengthening tenor, diversifying funding sources and increasing the stable funding base. Long-term wholesale issuance increased over the period but was offset by a decline in short-term wholesale and customer deposits. Bank lending is predominantly funded from stable funding sources, with short term wholesale funding primarily used to manage timing mismatches and fund liquid assets.

Table 20: Liquidity Coverage Ratio (continued)

	Average Quarterly Performance			
	February 19		November 18	
	Total Un- Weighted Value $m	Total Weighted Value $m	Total Un- Weighted Value $m	Total Weighted Value $m
LIQUID ASSETS				
of which: high-quality liquid assets	*n/a*	*3,411*	*n/a*	*3,483*
of which: alternative liquid assets	*n/a*	*3,175*	*n/a*	*2,981*
Total Liquid Assets	n/a	6,586	n/a	6,464
CASH OUTFLOWS				
Customer deposits and deposits from small business customers	15,327	1,551	15,512	1,576
of which: stable deposits	*6,427*	*321*	*6,899*	*345*
of which: less stable deposits	*8,900*	*1,230*	*8,613*	*1,231*
Unsecured wholesale funding	3,909	2,343	4,317	2,553
of which: non-operational deposits	*3,148*	*1,582*	*3,484*	*1,720*
of which: unsecured debt	*761*	*761*	*833*	*833*
Secured wholesale funding	n/a	26	n/a	29
Additional requirements	2,243	741	2,269	789
of which: outflows related to derivatives exposures and other collateral requirements	*662*	*662*	*711*	*711*
of which: credit and liquidity facilities	*1,581*	*79*	*1,558*	*78*
Other contractual funding obligations	1,121	804	1,151	811
Other contingent funding obligations	9,331	539	9,225	541
Total Cash Outflows	31,931	6,004	32,474	6,299
CASH INFLOWS				
Secured lending (e.g. reverse repos)	53	-	149	-
Inflows from fully performing exposures	678	361	741	401
Other cash inflows	740	740	970	970
Total Cash Inflows	1,471	1,101	1,860	1,371
Total Net Cash Outflows	30,460	4,903	30,614	4,928
Total Liquid Assets	n/a	6,586	n/a	6,464
Total Net Cash Outflows	n/a	4,903	n/a	4,928
Liquidity Coverage Ratio (%)	n/a	134 %	n/a	131 %

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 28 February 2019 was 110%, up from 109% at 30 November 2018. The main driver for the increase in NSFR over the quarter was an increase in customer deposits.

Table 21: Net Stable Funding Ratio (continued)

February 19

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
AVAILABLE STABLE FUNDING (ASF) ITEM					
Capital	4,013	–	–	850	4,863
of which: regulatory capital	*4,013*	–	–	*850*	*4,863*
of which: other capital instruments	–	–	–	–	–
Retail deposits and deposits from small business customers	14,126	8,438	–	–	20,731
of which: stable deposits	*5,888*	*2,563*	–	–	8,029
of which: less stable deposits	*8,238*	*5,875*	–	–	*12,702*
Wholesale funding	1,666	14,000	1,226	5,410	10,391
of which: operational deposits	–	–	–	–	–
of which: other wholesale funding	*1,666*	*14,000*	*1,226*	*5,410*	*10,391*
Liabilities with matching interdependent assets	–	–	–	–	–
Other liabilities	642	91	–	73	73
of which: NSFR derivative liabilities	*n/a*	*69*	–	–	*n/a*
of which: all other liabilities and equity not included in the above categories	*642*	*22*	–	*73*	*73*
Total ASF	n/a	n/a	n/a	n/a	36,058
REQUIRED STABLE FUNDING (RSF) ITEM					
Total NSFR (HQLA)	n/a	n/a	n/a	n/a	156
ALA	n/a	n/a	n/a	n/a	350
RBNZ securities	n/a	n/a	n/a	n/a	–
Deposits held at other financial institutions for operational purposes	478	–	–	–	412
Performing loans and securities	–	2,877	2,162	35,916	29,379
of which: performing loans to financial institutions secured by Level 1 HQLA	–	*175*	–	–	*17*
of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	*71*	–	*117*	*128*
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:	-	*2,070*	*1,674*	*10,686*	*10,939*
with a risk weight of less than or equal to 35% under APS 112	–	*139*	*100*	*787*	*631*
of which: performing residential mortgages, of which:	–	*561*	*488*	*25,113*	*18,295*
with a risk weight equal to 35% under APS 112	–	*187*	*187*	*19,953*	*13,571*
of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	–	–
Assets with matching interdependent liabilities	–	–	–	–	–

Table 21: Net Stable Funding Ratio (continued)

February 19

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
Other assets:	1,526	390	38	548	2,200
of which: physical traded commodities, including gold	–	*n/a*	*n/a*	*n/a*	–
of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	*n/a*	–	–	*32*	*27*
of which: NSFR derivative assets	*n/a*	–	–	–	–
of which: NSFR derivative liabailities before deduction of variation margin posted	*n/a*	–	–	*76*	*76*
of which: all other assets not included in the above categories	*1,526*	*390*	*38*	*440*	*2,097*
Off-balance sheet items	n/a	–	–	3,816	194
Total RSF	n/a	n/a	n/a	n/a	32,691
Net Stable Funding Ratio (%)	n/a	n/a	n/a	n/a	110%

Table 21: Net Stable Funding Ratio (continued)

November 18

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
AVAILABLE STABLE FUNDING (ASF) ITEM					
Capital	3,925	–	–	850	4,775
of which: regulatory capital	*3,925*	–	–	*850*	*4,775*
of which: other capital instruments	–	–	–	–	–
Retail deposits and deposits from small business customers	14,118	8,013	–	–	20,358
of which: stable deposits	*6,281*	*2,517*	–	–	*8,358*
of which: less stable deposits	*7,837*	*5,496*	–	–	*12,000*
Wholesale funding	1,841	13,664	1,185	5,555	10,466
of which: operational deposits	-	-	–	–	–
of which: other wholesale funding	*1,841*	*13,664*	*1,185*	*5,555*	*10,466*
Liabilities with matching interdependent assets	–	–	–	–	–
Other liabilities	756	62	–	73	73
of which: NSFR derivative liabilities	*n/a*	*42*	–	–	*n/a*
of which: all other liabilities and equity not included in the above categories	*756*	*20*	–	*73*	*73*
Total ASF	n/a	n/a	n/a	n/a	35,672
REQUIRED STABLE FUNDING (RSF) ITEM					
Total NSFR (HQLA)	n/a	n/a	n/a	n/a	154
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	445	–	–	–	394
Performing loans and securities	–	2,689	2,170	35,926	29,326
of which: performing loans to financial institutions secured by Level 1 HQLA	–	–	–	–	–
of which: performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	-	*150*	–	*127*	*150*
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:	–	*1,892*	*1,688*	*10,569*	*10,767*
with a risk weight of less than or equal to 35% under APS 112	–	*112*	*90*	*842*	*648*
of which: performing residential mortgages, of which:	–	*646*	*482*	*25,230*	*18,409*
with a risk weight equal to 35% under APS 112	-	*181*	*178*	*20,118*	*13,679*
of which: securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	–	–
Assets with matching interdependent liabilities	–	-	–	–	–

Table 21: Net Stable Funding Ratio (continued)

November 18

	Unweighted value by residual maturity				Weighted value
	No maturity	< 6 months	6 months to < 1 year	> 1 year	
Other assets:	1,622	358	38	536	2,292
of which: physical traded commodities, including gold	–	*n/a*	*n/a*	*n/a*	–
of which: assets posted as initial margin for derivative contracts and contributions to default funds of central counterparties (CCPs)	*n/a*	–	–	*1*	*1*
of which: NSFR derivative assets	*n/a*	–	–	*5*	*5*
of which: NSFR derivative liabailities before deduction of variation margin posted	*n/a*	–	–	*57*	*57*
of which: all other assets not included in the above categories	*1,622*	*358*	*38*	*473*	*2,229*
Off-balance sheet items	n/a	–	–	3,752	186
Total RSF	n/a	n/a	n/a	n/a	32,672
Net Stable Funding Ratio (%)	n/a	n/a	n/a	n/a	109 %